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Austria Sch22	Indonesia Rp3100	Philippines Pesos40
Bahrain Din0.650	Iran Rls160	Portugal Esc120
Belgium BFr45	Israel NIS3.50	S.Arabia Rls7.00
Canada C$1.00	Italy L1700	Singapore S$4.10
Cyprus C£0.90	Japan Y600	Spain Pta145
Denmark DKr10.00	Jordan Fils500	Sri Lanka Rup30
Egypt E£2.25	Kuwait Fils.500	Sweden SKr9.00
Finland Fmk7.00	Lebanon L£1,250.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan NT$65
Germany DM2.30	Malaysia Rin4.25	Thailand Bht50
Greece Dr120	Mexico Pes900	Tunisia Din0.800
Hong Kong HK$12	Morocco Dh6.00	Turkey L600
Iceland Ikr125	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

NATO ALLIANCE
Integrated command is vital, says UK
Page 2

World News

Reagan calls on Canada to ratify trade pact

President Ronald Reagan issued a strong appeal for the ratification of the US-Canada free trade agreement, the fate of which hangs on next week's Canadian general election. Page 20

Gaza shootings

Troops shot and wounded six Palestinians after Israel lifted a five-day curfew in the occupied Gaza Strip imposed to prevent celebrations of Palestinian independence.

Serbian victory

The leader of the Kosovo Communist Party, Mrs Kacusa Jasari, has offered to resign following months of tensions between the ethnic Albanian majority and the Serbian minority. Page 2

Kohl arms pledge

Mr Helmut Kohl, the West German Chancellor, reaffirmed his support for continued deployment of nuclear weapons in Western Europe until all danger of war had disappeared. Page 2

SA bans extremists

The South African Government banned an extreme right-wing movement, the Blanke Bevrydigings Beweging, in the aftermath of a mass killing in a Pretoria street of blacks by a self-confessed white neo-fascist. Page 4

Brazil strike ban

THE Brazilian Government was preparing an emergency law to declare illegal the week-old strike by 45,000 oil industry workers. Page 6

Gunbattle in Punjab

Four Sikh separatist extremists and two policemen were killed in an hour-long gunbattle near Amritsar in north India's Punjab state.

Red Cross abduction

A Swiss delegate of the International Red Cross was abducted by gunmen in south Lebanon yesterday, the first such kidnapping of a Westerner for six months. Page 4

Seoul march riot

Thousands of farmers marching on Seoul's US Embassy were surrounded by riot police and repelled by teargas as tension rose on the eve of hearings into a bloody uprising in South Korea eight years ago. Page 4

Rebels shoot 7

Seven people were shot dead in and around Colombo, the Sri Lankan capital, as Marxist rebels of the People's Liberation Front pressed ahead with a campaign to topple the Government.

UAE air crash

An air force helicopter crashed at al-Owar, near Dubai, killing 13 servicemen and three crewmen in the United Arab Emirates.

Sicilian missiles go

US experts at the Comiso military base in Sicily began removing the first batch of medium-range missiles set for destruction under last year's US-Soviet arms agreement.

Manuscript record

The original handwritten manuscript of one of the world's most depressing books – Franz Kafka's The Trial – was sold in London for a record £1m ($1.8m): four times the previous record.

Business Summary

Fridrichs to chair European Airbus

Hans Fridrichs, 57, former West German economics minister and banker, was named chairman of the European Airbus at a meeting of ministers in London which discussed plans to restructure the venture.

GRAND MET, the British drinks and hotels group, refused to concede defeat in the battle to control the Irish whiskey firm of Irish Distillers, saying it would appeal against a takeover panel ruling which favoured French rival Pernod. Page 21

RUPERT Murdoch's News International has launched a cash bid for the 58 per cent of William Collins it does not already own. The offer values Collins, the international publishing company, at £293m. Page 21

NESTLE, multinational foods group, became the first big Swiss-owned company to abandon the national discrimination against foreign shareholdings by opening its registered shares to purchase by foreign investors with immediate effect. Page 21

BRITISH Aerospace is expected to sign a major £6bn contract for the full-scale development of the European Fighter Aircraft along with its partners in the project in West Germany, Italy and Spain, with their respective Governments. Page 25

CAMPBELL SOUP, largest producer of canned soups, announced record sales and operating results for the first quarter with sales boosted by a 21 per cent increase in operating earnings at Campbell USA. Page 22

UNITECH, UK electronics components manufacturer and distributor, agreed to pay $327m (£180m) for Veeco Instruments, a larger US-based power supplies company which makes about half of its profits in Japan. Page 25

VOLVO, Sweden's motor, energy and food company, announced that it had lifted third-quarter profits after financial items by 1.7 per cent to SKr1.64bn ($265m) compared with SKr1.608bn for the same period of 1987. Page 21

GPA, the aircraft leasing group based at Shannon in the Irish Republic is signing a contract with United Airlines to buy its entire fleet of DC-8 aircraft in a deal estimated to be worth $500m. Page 7

CITICORP, the New York-based banking group has been forced to rationalise its international Asian equities business because of low levels of international dealing volume. Page 27

BANK LEU, major Swiss bank, has completed a private placing of shares in a move which many bank industry observers interpret as an attempt to head off an unwelcome takeover bid. Page 26

WESTPAC Banking Corporation, largest of Australia's "Big Four" trading banks in terms of global assets, reported a 69 per cent leap in after-tax profits to a record A$692.7m ($592m) and a hefty pay-out to shareholders. Page 23

ERICSSON, Swedish telecommunications and electronics group, achieved its best ever results for a third quarter and expects to make a profit for 1988 amounting to at least SKr1.7bn ($274m) before appropriations and taxes. Page 24

HONG KONG and Shanghai Hotels, hotel group subject to a hostile takeover bid from local entrepreneur Mr Lo Yuk Sui's Cathay City, has come out with a bullish profits forecast and an estimate of the company's net asset value. Page 24

Bhutto seeks right to form government

By David Housego and Christina Lamb in Lahore

MS BENAZIR Bhutto, leader of the Pakistan People's Party, yesterday urged the country's President to call on her to form a government after her party won the largest number of seats in Wednesday's general election – but narrowly failed to secure an absolute majority.

The failure of the PPP to secure an overall majority gives President Ghulam Ishaq Khan the leeway to chose a prime minister from the rival Islamic Democratic Alliance.

Final results in the election gave the PPP 92 of the 207 seats in the National Assembly. The Alliance, the leading figure in which is now Mr Nawaz Sharif, the chief minister of the Punjab, won 54 seats.

With neither party holding a clear overall majority, the balance of power in the new parliament lies with the smaller parties and the independents.

Of these, the Mohajir Quami Movement, which represents migrants from India, won 13 seats in Karachi and Hyderabad in the southern Sind province. Independents won 25 seats.

Even before the results were declared the two main parties began talks with the minor parties and independents aimed at forming a coalition. But the President and the army were expected to support a government formed by the Alliance.

PPP hopes for a landslide victory were undermined as results that came in from the Punjab yesterday morning. Although in earlier returns the PPP had defeated some leading figures in the Muslim League, a constituent party to the Alliance, the PPP lost in areas where they had expected to win, such as in the Sialhkot and Rawalpindi.

Delays in declaring the Punjab results brought muted accusations of ballot rigging. But the the PPP was still undecided last night on whether or not to press these charges, fearful of jeopardising progress towards democracy after 11 years of virtual military rule.

In several Punjab constituencies, the margin of Alliance victory was so small that a recount was likely. Ms Bhutto called some of her advisers to Karachi to consult with them over the results and clarify the constitutional position over forming a government.

Another striking feature of the election was the defeat of all but two of the ministers associated with the late President Zia ul-Haq. Islamic funda-

Continued on Page 20


Benazir Bhutto listens to election returns yesterday

Central banks mount worldwide effort in support of dollar

By Simon Holberton, Economics Staff, in London

THE WORLD's major central banks yesterday mounted their biggest support operation for the dollar since January after the US currency began to fall sharply in Europe and New York.

By the close of trading, however, it remained unclear whether yesterday's efforts would prove sufficient to change the market's bearish view of the US currency and instil in it the necessary caution that the dollar could rise, as well as fall.

The dollar rebounded by about 2 pfennigs and 1 yen after the Federal Reserve, the US central bank, together with the most European central banks – including the Bundesbank, its West German counterpart, and the Bank of England – launched repeated forays into currency markets.

European central bankers said the intervention amounted to about $1bn. Earlier in Tokyo, the Bank of Japan, the Japanese central bank, reportedly sold yen for $500m in an attempt to support the US currency.

Central bankers said this scale of intervention was the largest support effort mounted for the dollar since central banks mounted a defence of the US currency in the first week of January this year.

They pointed out that intervention to restrain the dollar appreciating during the summer was bigger than yesterday's efforts.

The dollar has been under pressure since Vice President George Bush was elected US President last Tuesday.

The key concerns of the currency markets are that Mr Bush's mandate is insufficient to allow him to attack the US budget deficit and that there has been an apparent halt to the process of trade adjustment between the US, Japan and West Germany.

On Wednesday, a set of indifferent US trade figures for September and comments by Mr Alan Greenspan, chairman of the Fed, on the need for the US Government to address forcefully the budget deficit problem, further undermined confidence in US economic policy and the dollar.

Some currency market analysts said yesterday that the sub-text of Mr Greenspan's evidence before the National Economic Commission – that if there is no action on the deficit US interest rates may have to rise – could give the US currency some support.

Mr George Magnus, of Warburg Securities, said: "Volcker could not have said it better. Mr Greenspan's evidence was significant because it brought home clearly how the Fed sees the issues."

European monetary officials said that central banks were concerned yesterday by the speed at which the dollar fell and by the strength of the selling pressure.

They said it was not a matter of the level of the dollar per se, but the conditions prevailing in the market.

One central banker said Mr Greenspan "is not going to get a fiscal response overnight and that leaves only one or two things left in your armory."

There was considerable puzzlement as to why the Fed had not taken clearer action to tighten monetary policy. The evidence from recent US statistical releases suggests that inflationary pressures were emerging. The economy was expanding strongly, but there were signs of labour market tightness and capacity constraints emerging, analysts said.

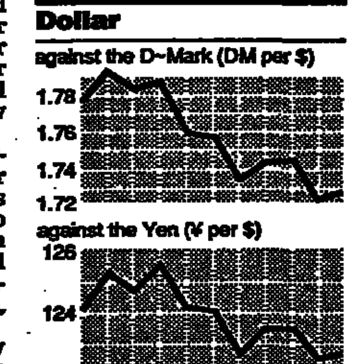
In London, the intervention meant that the dollar was largely unchanged on the day. It closed at DM1.7285, compared with DM1.7230 previously and at Y122.6 against Y122.5.

By early afternoon in New York it had held these levels and was trading around DM1.7280 and Y122.5.

Sterling was unchanged against the dollar at $1.8215 but up 1 pfennig against the D-Mark at DM3.15. The Bank of England's trade-weighted sterling index closed 0.1 higher at 77.2.

Markets, Section II

Dollar



Thatcher calls for 'breathing space' to tackle US deficit

By Peter Riddell in Washington

THE US budget deficit is "tackleable" and the incoming Bush Administration should not be hurried into producing its approach, Mrs Margaret Thatcher, Britain's Prime Minister, said yesterday in a statement of strong support for the President-elect.

Her appeal for a breathing space for the new Administration, made in a series of US breakfast television interviews, was welcomed by President-elect Bush during 90 minutes of discussions at the end of her two-day visit to Washington.

According to British officials, Mr Bush reaffirmed his determination to tackle the deficit and he endorsed Mrs Thatcher's comments.

In marked contrast with the concern about the level of the dollar expressed in Washington on Tuesday by Chancellor Helmut Kohl of West Germany, Mrs Thatcher pointedly refused to discuss recent developments in foreign exchange markets.

Instead, Mrs Thatcher pursued her longstanding policy of strong public support for the US Administration, partly to ensure continued British influence in private.

She was sure the Bush Administration would deal with the deficit "in due time in a measured and responsible way." She did not think Mr Bush and his advisers should be hurried and was non-committal about how a reduction might be achieved. "They must have full time to consider how they are going to deal with it with Congress," she said.

At a later press conference Mrs Thatcher stressed that the budget deficit must be seen against the background of "a very strong US economy with inflation not re-emerging." She noted that the deficit was only a small proportion of gross domestic product, but the trouble was that US net savings were small, which had an effect on the rest of the world.

Mrs Thatcher repeatedly praised Mr Bush for what he had done as vice president and for his "very very wide knowledge." She said she was impressed by "the steady and workmanlike approach of the transition which gave grounds for confidence" and she looked forward to a continuity of purpose and policy.

British officials hope that the visit will help ensure the same close relationship with the Bush Administration that Mrs Thatcher has had with President Ronald Reagan. During their talks yesterday morning, which also involved Mr James Baker, the Secretary of State-designate, Mrs Thatcher said there was broad agreement over a wide range of international and economic issues.

Lithuanians threaten to join Baltic nationalists

By Quentin Peel in Moscow

THE SOVIET leadership yesterday sought to quell the growing nationalist revolt in its Baltic republics as Lithuania threatened to join Estonia in rejecting changes to the Soviet constitution.

The Praesidium of the Supreme Soviet in Moscow, the country's highest constitutional body, declared that a move by Estonia earlier this week to demand a veto right on adopting national legislation was "at variance with the provisions of the current constitution."

The statement was issued as the Supreme Soviet in Lithuania met to decide whether to back Estonia, deputies of which overwhelmingly approved radical demands for more political autonomy and a resounding resolution demanding a Treaty of Union to legalise relations between the Soviet Union and its constituent republics.

The Praesidium in Moscow, normally chaired by Mr Mikhail Gorbachev, the Soviet

Continued on Page 20

Big US insurer sues RJR over planned buy-out

By James Buchan in New York

THE SEETHING discontent among US investing institutions at the wave of debt-financed takeovers erupted into outright rebellion yesterday when the Metropolitan Life Insurance company, one of America's top three investors, sued RJR Nabisco over its proposed leveraged buy-out.

The suit, filed in New York Supreme Court yesterday, is the strongest action yet by a professional investor against speculation on Wall Street. Mr John Creedon, MetLife president, warned that the trend to "larger and more complicated transactions and megadeals is posing a real threat to the integrity of the capital markets in this country."

MetLife yesterday accused management of the tobacco and food group of cynically breaking faith with its lenders its launching its unprecedented $20.9bn offer for the company. The buy-out proposal, which envisages adding billions of dollars in new debt to the company, caused a sharp drop in RJR's credit-worthiness last month and wiped $1bn off the $5bn value of its existing bonds, MetLife said.

"To wantonly destroy the value of long-term debt is to jeopardise the future of our capitalist system," Mr Creedon said.

The suit is the second launched by angry bondholders at RJR and its chief executive, Mr Ross Johnson. On Wednesday, the ITT industrial and financial services group sued for damages and the restitution of losses on RJR bonds held by its insurance subsidiary, The Hartford.

But the move by MetLife, a publicity-shy mutual company with more than $115bn of America's insurance and pension contributions invested in financial markets, sent a chill through Wall Street. RJR common stock, which has risen more than 50 per cent at the prospect of a competitive takeover battle, plunged by $3¾ to $80⅞ in morning trading.

The sharp fall in RJR stock came despite competing offers of $92 a share from the Johnson group, allied with the Shearson Lehman investment bank, and $90 a share from Kohlberg Kravis Roberts, Wall Street's leading leveraged buy-out firm. There were also reports yesterday that the Wall Street firm of First Boston and interests related to Chicago's Pritzker family want to enter the bidding for RJR before a deadline set by the company's non-management directors expires today. These reports could not be confirmed.

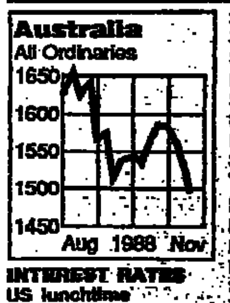
In its suit yesterday, MetLife said it had taken losses of about $40m when the price of its $340m face-value in RJR bonds collapsed with the announcement of the Johnson plan last month. Mr Creedon said the management group, which will own a big share of the heavily indebted company after the buy-out, had "in effect misappropriated" more than $1bn in bondholders' property.

Mr Creedon said MetLife had done well on its holdings of RJR stock but the purpose of its lawsuit was to protect creditors. MetLife, which has some $50bn invested in investment grade corporate bonds, would take action to prevent the "reckless devaluation of long-term bonds."

Lex, Page 20

MARKETS

Australia
All Ordinaries



INTEREST RATES
US lunchtime
Federal Funds 8⅜% (same)
3-mth Treasury Bills: yield: 8.15% (8.16)
Long Bond: 100⅜ (100⅞)
yield: 9.09% (9.11)
London
3-month Interbank: close 12⅜% (same)

STERLING
New York lunchtime
$1.8265 (1.8325)
London:
$1.8215 (1.8215)
DM3.1500 (3.1400)
FFr10.7600 (10.7325)
SFr2.6400 (2.6325)
Y223.25 (same)

DOLLAR
New York lunchtime
DM1.7275 (1.7170)
FFr5.9055 (5.8670)
SFr1.44975 (1.4415)
Y122.50 (122.25)
London:
DM1.7285 (1.7230)
FFr5.9075 (5.8825)
SFr1.4495 (1.4455)
Y122.60 (122.50)

GOLD
New York latest
Comex Dec
$422.5 (-3.0)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,048.90 (+10.32)
S&P Comp
264.99 (+1.17)
London:
FT-SE 100
1,825.6 (+16.3)
World:
135.34 (Wed)
Tokyo
Nikkei Ave
29,076.51 (+80.96)
Frankfurt
Commerzbank
1,573.5 (-7.0)

OIL
Brent 15-day (Argus)
$12.05 (-.57) (Dec)
West Tex Crude
$13.805 (-.32) (Dec)

CONTENTS

US and Britain take divergent views of Palestinian issue

The British government is taking a distinctly more positive view than the Reagan Administration to the proclamation this week by Yassir Arafat of an independent Palestinian state and the implicit recognition of Israel's right to exist
Page 4

Kohl defends N-arms deployment

By David Marsh in Bonn

MR HELMUT KOHL, the West German Chancellor, yesterday reaffirmed his support for continued deployment of nuclear weapons in Western Europe. He said their role could only be reappraised when all danger of war had disappeared.

In a speech to parliamentarians at the meeting of the North Atlantic Assembly in Hamburg, Mr Kohl came down firmly on the side of Mr Rupert Scholz, his Defence Minister, in ruling out the idea of a "zero option" eliminating short-range nuclear weapons in Europe.

"That would be a decisive *step towards* the denuclearisation of Europe, which we do not want," he said.

However, Mr Kohl carefully avoided any reference to Nato plans to bring in new forms of short-range weapons in West Germany in the 1990s.

These plans are opposed above all by Mr Hans-Dietrich Genscher, the Foreign Minister, as well as by the parliamentary opposition and large sections of public opinion.

The US and Britain are calling for existing Nato nuclear weapons to be upgraded around the middle of the next decade to maintain deterrence, which in military circles is thought to have been weakened by the agreed elimination of medium-range missiles in Europe.

A split in the Atlantic alliance is looming over the issue. Without modernisation of the present US Lance missiles of 120km range stationed in Western Europe, the Americans fear *that denuclearisation would* take a step towards becoming reality.

Mr Kohl took oblique issue with recent remarks opposing Lance modernisation made recently by Mr Genscher. He said West Germany's security interests would not be served by unilaterally giving up "significant components of our (defence) potential."

There were no signs that the Soviet Union had slowed down modernisation of its own weapons systems, he said, citing the latest review of the London-based International Institute for Strategic Studies.

Referring to East-West talks in Vienna which Bonn wants to give a speedy mandate to new conventional arms negotiations, Mr Kohl said "the final questions" on giving a mandate for the new talks now had to be settled.

Integrated command vital to Nato, says UK

By Robert Mauthner in Paris

AN EFFECTIVE defence of Western Europe, particularly of West Germany's eastern border, required an integrated military command structure, Mr William Waldegrave, Britain's Minister of State at the Foreign Office, said yesterday.

Mr Waldegrave, who was addressing a seminar on European security at the French Institute for Advanced Defence Studies, emphasised that he was not trying to put pressure on France to rejoin Nato's integrated command, from which it withdrew in 1966.

France's steps "to thicken up" her defence links with her neighbours demonstrated a determination to show that there were other ways of meeting the commitments of European solidarity.

However, though he welcomed joint Franco-German manoeuvres and supported proposals for greater Anglo-French defence co-operation, Mr Waldegrave made it clear that bilateral links and co-ordination arrangements, such as the ones Spain was drawing up with Nato, could work only in limited cases.

They might be appropriate *for countries which saw their* role as contributing to a strategic reserve or as operating principally in the air or maritime fields.

"But they are manifestly not the way to organise collective defence of the front line, particularly along the eastern border of the Federal Republic," he said.

"For those European countries – the Netherlands, Belgium and the UK – who along with the West Germans, Americans and Canadians actually help defend this front line, integrated command arrangements are essential."

Mr Waldegrave also stressed that "the good European accepted that subscribing to the theory of deterrence had practical consequences which had to be followed through, such as the modernisation of nuclear weapons where necessary.

In this context, he welcomed the statements of President François Mitterrand of France and his Prime Minister, Mr Michel Rocard, that France would not deny itself any type of weapon which other powers possessed and that it would be dangerous to give up unilaterally any particular element in the nuclear or conventional arsenal.

Kosovo chief offers to stand down

By Judy Dempsey in Belgrade

THE LEADER of the Kosovo Communist party, Mrs Kacusa Jasari, has offered to resign following months of tensions between the ethnic Albanian majority and the Serbian minority. But she has insisted on remaining in the top leadership.

Mrs Jasari, who took over the leadership last year, said Mr Azim Vlasi, a former party chief, would also resign from the leadership but would remain on the central committee of the Federal Party.

The Serbian minority in the region, backed by Mr Slobodan Milosevic, Serbia's powerful and popular leader, had demanded the resignation of both Mrs Jasari and Mr Vlasi on the grounds that they did little to protect Serbs from alleged intimidation by the ethnic Albanians.

The proposals are seen as a compromise aimed at reassuring the minority that Kosovo's leaders will quash any Albanian nationalism directed against the Serbs.

At the same time, Mrs Jasari's proposals attempted to reassure the ethnic Albanian population that the Kosovo party is not yet entirely under the control of *the Serbian party leadership* in Belgrade.

Bulgaria celebrates an old tradition of Jewish freedom

By Judy Dempsey in Belgrade

AS Germany last week awkwardly commemorated Kristallnacht, which heralded the destruction of European Jewry, so this week for the first time the Bulgarian authorities are celebrating the saving of the Bulgarian Jews from death.

But for some of those Jews who survived in Bulgaria, the presence of US, Israeli and other leading members of the international Jewish community for the round table celebration in Sofia this week will be little more than an exercise in public relations.

It can do little to revive the long tradition in Bulgaria of a rich Judaic-Hispanic culture and its Ladino language.

The original Sephardic Jewish settlers came from Spain, which expelled them during the 15th century. Many were forced to travel eastwards to seek a new life in Greece, Turkey or Bulgaria.

And *it* was in Bulgaria, which was under Ottoman Rule until 1878, that the 25,000 Jewish newcomers mixed easily with the indigenous Armenians, Turks, Greeks and Bulgarians.

The Jewish population worked mostly in commerce or trade, like the father of Elias *Canetti, the Nobel Prize Winner* for Literature, who spent part of his childhood in the old Habsburg city of Ruse, in the north of the country. Today, few of the local Ruse inhabitants can recall the Canettis or the other Jewish families.

Those families, along with other minorities, were granted complete freedom of religion and equality, as laid down in the Constitution of 1898. But the rise of Hitler threatened this relaxed atmosphere.

European Diary

Bulgaria

Under pressure from the Nazis, and much to the disgust of many Bulgarians, anti-Jewish laws were introduced in 1940 and re-enforced after March 1941 when Bulgaria joined the Axis powers against the Allies.

Some of the Jews, including the 25,000 Askenazis who had sought refuge in Bulgaria after fleeing from other East European countries, were deported to villages throughout the country.

Elderly Jews in Sofia say that the Bulgarian authorities were under immense pressure from Hitler to deport the Jews after joining the Axis.

In return for supporting Germany, with whom the country had close trading links in the 1930s, the Bulgarian authorities demanded the re-annexation of western Thrace from Greece and Macedonia from Yugoslavia, territories which were regarded as Bulgaria's historic frontiers.

The 11,300 Jews from these regions were sent to Treblinka and other death camps. But the Jews in Bulgaria were spared.

Even after June 1942, when Mr Peter Gabrovski, the then Minister of the Interior was asked, under the instructions of Germany, "to solve the Jewish question," the orders were not carried out.

Instead, after protests by the local population and endless procrastinations by Bulgarian officials, King Boris 111 deported the Jews to villages – partly to acquiesce to the Germans, but more to save the Jews.

But Bulgaria's *Jewish* population today is no more than 5,000. Many Jews left immediately after the war, uncertain about the future and free to travel to Palestine.

When Stalin launched his anti-Zionist campaign, which was slavishly copied in some parts of Eastern Europe, the *Bulgarian Jews* believed there would be a backlash in Sofia, by then firmly under Communist rule.

Those who remained attempted to preserve their centuries-old Judaic-Hispanic culture and the Ladino language which is now spoken by a tiny percentage of the Jewish community. But Jewish life and the memory of an old Jewish culture are fading away.

Better relations with Israel might halt the inevitable decline. Like the rest of Eastern Europe (except Romania), Bulgaria broke off diplomatic relations with Israel after the 1967 Six Day War. But it now seems relations between both countries are slowly on the mend.

The wife of Mr Yitzhak Shamir, the Israeli Prime Minister who is of Bulgarian origin, recently visited the country. Last month, Mr Ariel Sharon, the Israeli Minister of Industry and Trade, held talks with senior Bulgarian officials on improving trade contacts.

It is perhaps ironic that the tolerant policy and image of one of the few European countries which can boast of protecting and saving its Jewish population during the war suffered a serious setback during the early 1980s.

In an attempt to forcibly assimilate the large Turkish minority, the Bulgarian authorities have forced the Turks to change their names, Turkish-language newspapers and schools have been closed down, the existence of a Turkish minority was, and continues to be, officially denied.

This policy is in sharp contrast to the enormous and popular support given in the early 1940s to save the Jewish population.

France to boost spending on regional development

By George Graham in Paris

THE FRENCH Government has decided to boost spending on regional development projects by FFr51.5bn (£4.8bn) over the next five years.

The money will finance more *than half the development con*tracts signed with each of the 22 regional councils in mainland France and the four councils in the overseas territories.

The bulk of the spending will go towards transport projects, with FFr11bn destined to improving the road network of the Ile de France region *surrounding* Paris, *and a special* effort devoted to the northern region of Picardy.

In total, FFr23.2bn will be devoted to transport and communications infrastructure, FFr8bn to employment and economic development, FFr8bn to research and training and FFr11.9bn on "concerted *regional development*".

Regional prefects, representing the central government, must now negotiate the details of the development contracts with the regional councils. These negotiations may prove difficult, since only two of the mainland councils, Nord-Pas de Calais and Limousin, are controlled by supporters of the Socialist Government.

Picardy, which has battled for the express rail link *between* Paris and the Channel Tunnel to pass through its capital Amiens, is to have its line, although no date is fixed.

FINANCIAL TIMES

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Swiss resist EC pressure over 40-tonne trucks

By William Dullforce in Geneva

SWITZERLAND IS standing firm on its refusal to open its highways to 40-tonne heavy lorries from the European Community despite Wednesday's vote in the European Parliament calling on the Commission to take retaliatory action.

Mr Adolf Ogi, the minister in charge of transport, yesterday pointed out that the Parliament's vote – 260 to seven in favour of retaliation – was only advisory. He believed several EC governments would be more understanding.

However, Mr Ogi warned his compatriots, Switzerland would have to propose very quickly temporary solutions for carrying the heavy freight by rail. Swiss roads are barred to vehicles above 28 tonnes.

The Commission, urged on by its road hauliers, has called on Switzerland to open a north-south transalpine road corridor between West Germany and Italy for 40-tonne lorries. It has so far been highly sceptical of offers of rail transport.

For the longer term the Swiss Government, under pressure from its environmentalists and the Alpine cantons, proposes to build a new combined road-rail route that would carry heavy trucks through Switzerland on railway wagons.

But this route, which would necessitate the drilling of a new, long tunnel, is most unlikely to be ready before the year 2010. The Commission wants a co-ordinated EC transport system in place by 1993 to match the inception of the single internal market.

During the debate in Strasbourg, European MPs suggested retaliation against Swiss hauliers who operate lorries of up to 40 tonnes on EC roads from a 10km strip inside their frontier exempted from the 28-tonne limit.

The Commission is due to open formal talks on north-south road transit with Switzerland, Austria and Yugoslavia in January. Austria already allows 38-tonne lorries to transit by the Brenner pass. Yugoslavia accepts 40-tonners but is tough on quotas and border controls.

Power struggle looms as Italy's top union boss quits

By John Wyles in Rome

SQUARE-JAWED and sporting a perennial crew-cut, Antonio Pizzinato seems to have stepped out of one of the Soviet Union's more inspirational propoganda posters. But after a steady campaign of complaints that his leadership was anything but inspirational, he decided yesterday to step down after less than three years at the top of Italy's largest trade union confederation, the once all-powerful CGIL.

He jumped before he was finally pushed out by a revolt among the union's leadership, and his departure could signal a damaging battle for power between its rival ideological and political components.

The union, one of Europe's largest with a membership of 5m, now faces a leadership vacuum at a time when it has to lead crucial negotiations for public employees and agree with Confindustria, the employers' organisation, on the future of wage indexation.

Technically, Mr Pizzinato has put his resignation in the hands of the union's 170-strong directory which will meet on Monday and is thought likely to accept it. His decision feeds a crisis which has been maturing within the CGIL since 1984 when, under pressure from the Communist Party, it broke with the other two smaller confederations, CISL and UIL, to oppose a weakening of the *scala mobile* (wage indexation) system which was ultimately endorsed by a referendum.

While in many respects CGIL's crisis is inseparable from the general loss of power and effectiveness of trade unions in other large European industrial democracies, there are also peculiarly Italian aspects to its problems.

Of key importance has been the extraordinary revival in confidence and financial strength of Italian private industry which has steadily increased the authority and independence of management in spheres once the subject of collective bargaining.

At the same time, the nation's industrial workforce, once the backbone of the CGIL, has declined by more than 1m, while a parallel boom in services jobs has largely eluded union organisation. Forty two per cent of its members are pensioners and even young industrial factory workers have resisted recruitment – one recent survey said that only 10,000 out of 800,000 workers on training schemes had opted for union membership.

Mr Luciano Lama, who led the CGIL for 17 years until 1986 and handpicked Mr Pizzinato as his successor, observed that union strength had been sapped in Italy by a decline in collective values in favour of an individual search for prosperity and advancement. "This is destroying the solidarity which underpinned the union which I led," he said.

Pizzinato: hand-picked

The CGIL, moreover, has been infected by the Italian Communist Party's tormented decline and the Socialist Party's aggressive ambitions to replace it at the head of the Italian left. The confederation emerged from a series of post-war schisms dominated by Communists, but with a sizeable Socialist minority which occupies about 40 per cent of leadership posts. Relations between the two narrowly avoided a rupture in 1984 over the attack on wage indexation led by Mr Bettino Craxi, the then Socialist Prime Minister.

Since then, flagging energies have been more devoted to mediating between rival factions on strategies than to repairing faltering relationships with the rank-and-file.

Against this background, Mr Pizzinato's leadership has too often seemed uncertain and lacking in direction. "He has not been up to the challenge," says Mr Antonio Lettieri, who heads the CGIL's public employees' section and comes from the left of the union which began pushing for a new secretary-general at the beginning of October. This rallied broad Communist support and last month Mr Pizzinato, a lifelong Commmunist, was being kept in office by Socialist votes.

But Socialist support was finally withdrawn this week when Mr Ottaviano del Turco, Mr Pizzinato's deputy, openly signalled his backing for Mr Bruno Trentin for the leadership. Mr Trentin, a 62-year-old former leader of the metal-workers, has always had a broad following in the union as a leader of its left faction, but his path to the top job in 1986 was blocked by the immensely powerful Mr Lama. He is now most likely to succeed Mr Pizzinato as a transitional figure capable of keeping the CGIL on track while attempts are made to map out a proper strategy.

But many will feel that Mr Pizzinato is being made the scapegoat for a deeper malaise. During his period in office he has had to cope with militant grassroots revolts on the railways, at airports and in the schools reflecting years of neglect by the CGIL.

The culmination of his woes, however, was this summer's negotiation with Fiat, the ancient CGIL enemy, which resulted in an agreement with the CISL and the UIL and which the largest confederation decided at the last moment not to sign, although it is helping to apply it.

Mr Pizzinato was not running these negotiations but the debacle left the union looking weak and contradictory and he is now paying the price.

'Mafia resurgence' worries Italian MPs

By Our Rome Correspondent

LEADING Italian politicians have reacted with alarm to warning from Mr Domenico Sica, the country's new anti-Mafia Commissioner, that organised crime has taken "total possession" of parts of Sicily, Calabria and Naples.

Not a man given to exaggeration, Mr Sica's earlier statement to the parliament's anti-Mafia committee was an authoritative judgment of the extent of the organised crime problem after a three-month period of discussion with police and magistrates involved in a daily battle against it.

In the wake of Mr Sica's warning, the Socialist Party is urging the replacement of some regional prefects in Western Sicily while the Republicans say its the need for current investigations into 1,000 local government officers in Campania, Calabria and Sicily.

As from yesterday, Mr Sica's own contribution to the anti-crime struggle becomes more significant with the passage of a measure giving him powers of investigation and co-ordination, denied to the first Italian Anti-Mafia Commissioner, General Alberto Dalla Chiesa, who was assassinated in 1982.

But Mr Sica stressed this week that a key element missing from the new law is the power to assure protection and resettlement under new identities for so-called *pentiti* - members who give evidence against the organisation.

Referring to the "very serious situation" in parts of Sicily, Calabria and the Naples area, Mr Sica asserted that "in some parts the territorial possession is total," – clearly implying that politicians, bureaucrats and possibly the police may be in thrall to the Mafia. Anyone doubting this, added Mr Sica, must also believe unjustifiable the "suffocating apparatus" of police escorts and general protection which surrounds the representatives of authority.

With its main activity in drugs, Mr Sica said the Mafia was handling "incalculable" volumes of money and had given itself a centralised national structure. He doubted that Sicily was still the base for this activitity, although the Mafia continued to dominate the island. It was also mantaining its traditional illicit operations in the construction industry.

The former magistrate stressed that the broad dimensions of organised crime now required equivalently broadly based investigations, particularly at an international level.

Setback for Government over L480bn allocation

By John Wyles

THE ITALIAN Government's hopes of keeping its majority together during voting on the 1989 budget have been jolted by a first defeat under the new system of public voting on financial issues in the lower house of Parliament.

Late yesterday evening 36 Christian Democrats and one Socialist voted with the opposition in favour of allocating an additional L480bn (£204m) to the "agricultural solidarity fund." The defeat came only a few hours after Mr Giuliano Amato, the Treasury Minister, had spoken about the greater political security he was enjoying following last month's abolition of secret voting on a range of matters.

Nevertheless, the ease with which the dissidents could be identified prompted Mr Sergio Mattarrella, the Minister responsible for relations with Parliament, to draw an obvious conclusion. "Coldiretti has voted with the opposition," he said, referring to the national organisation of small farmers. This drew angry protests from some of the deserters yesterday, but many do owe their seats to farm lobby support.

Guidelines on franchise operation promised soon

By Tim Dickson in Brussels

THE RAPIDLY expanding number of European franchise operations will soon be given clear guidelines on how to avoid falling foul of the EC's competition rules.

The European Commission hopes to adopt its long-promised "group exemption regulation" on franchise agreements at its next meeting. This will replace its case-by-case approach with a system whereby businesses will be granted protection against Article 85 of the Treaty of Rome if they fulfil certain conditions.

A crucial development was the European Court judgment in favour of Pronuptia, which justified many of the apparently anti-competitive features of a franchise agreement on the grounds that franchising as a form of business activity deserves to be encouraged. Pronuptia was cited by the Commission earlier this week when it announced that it had cleared a franchise agreement which Service Master had submitted

The Service Master standard-form agreement prevents franchisees setting up outlets in other member states and seeking customers outside their allocated territory – prohibitions which result "in a certain degree of market-sharing". While such clauses will be permitted in the new regulation, the Commission will not allow situations where franchisees are barred from selling to unsolicited customers from other countries.

Walesa ready for TV debate with official

By Christopher Bobinski in Warsaw

MR LECH WALESA has said he is ready to take part in a debate on Polish television with Mr Alfred Miodowicz, head of the official union movement and a member of the Communist Party politburo.

The Solidarity leader, who wants the terms of the meeting arranged by Mr Janusz Onyszkiewicz of Solidarity, said yesterday in Gdansk that Polish television had suggested November 30.

The proposal came from Mr Miodowicz this week. It would be the first time since the movement was banned in 1981 that Mr Walesa would have a chance to present on television his demand for the legalisation of Solidarity.

The debate would also be the first time the two men will have met. Mr Walesa has several times this autumn rejected suggestions from the official unions who claim the support of 7m members that the two sides meet privately to discuss differences. Solidarity has held that no such meeting was possible until the official unions came out in favour of the right of other unions to organise in Polish industry.

Meanwhile Archbishop Bronislaw Dabrowski, secretary of the Polish Bishops Conference, issued a statement blaming the authorities for the continuing failure to convene a long-awaited round table

Aeronautical research plan hits heavy weather

By William Dawkins in Brussels

EUROPEAN Commission plans for an Ecu60m (£39m) pilot scheme for advanced aeronautical research yesterday ran into objections from at least five EC governments. A majority of research ministers meeting in Brussels felt that backing aeronautics was outside the Commission's powers because of the industry's close links with defence. But they decided to put off their decision until next month.

The objectors included Ireland, whose neutrality makes it especially sensitive about any Commission attempt to influence defence research. Britain, West Germany, France and Spain, the main partners in the Airbus consortium, are also understood to fear that such a scheme might worsen already tense relations with the US over European public support for aircraft production.

The aeronautics plan, first tabled last summer, would back collaborative research into subjects such as fuel efficiency and new materials and is intended to be the precursor of a much larger scheme. Brussels is planning to fund it from a pair of existing technology programmes: Euram in advanced materials and Brite in industrial technology.

These have a combined Ecu500m budget, which is due to receive an initial approval from research ministers next month. Critics of the aeronautics plan want it shelved until next year when the EC is due to reassess its whole strategy for research and development.

Ministers did give the preliminary go-ahead yesterday to Ecu116m worth of collaborative research to take place over the next four to five years. They include an Ecu30m scheme to encourage member states to share each others large laboratories and other scientific facilities, Ecu80m for agricultural technology and Ecu8m to help economic scientists work in other EC countries. They now need to be cleared by the European Parliament before final adoption.

OVERSEAS NEWS

Gorbachev Delhi visit to underline special relations

By K.K. Sharma in New Delhi

PRESIDENT Mikhail Gorbachev of the Soviet Union arrives in New Delhi today to begin a three-day visit which will be his second trip to India in two years. The first was in November 1986, when the "special relationship" between the two countries was reaffirmed in the Delhi Declaration he signed with Mr Rajiv Gandhi, India's Prime Minister.

The two leaders will try to emphasise this relationship in their talks, although the occasion for the visit is the end of a highly successful year-long Soviet cultural festival in India.

Indian and Soviet officials have said that both leaders will assess what progress has been made in improving bilateral relations and their effort will be to take the Delhi Declaration further forward.

In concrete terms, this will mean there will be at least four bilateral agreements signed while Mr Gorbachev is in New Delhi, the most important of which will be on Soviet construction of two 1,000-MW nuclear plants at sites in southern India.

Another agreement will be on increasing electricity generation capacity – there is an acute power shortage in the country. Agreements are also expected on transfer of technology and on improving cultural relations.

Gorbachev (above) and Gandhi: four bilateral agreements

The character of the visit has already been set with a trade protocol signed this week which provides for a two-way turnover of Rs70bn (£2.6bn) in 1989, a 35 per cent increase over the estimated turnover for this year. This is in line with the declared aim of the two countries to increase their trade by 250 per cent by 1992. The two leaders feel the target can be reached by identifying joint ventures, new items for import and export and through Soviet export of equipment for projects it is to set up in India.

Talks between Mr Gorbachev and Mr Gandhi will be much more wide-ranging than just bilateral economic relations – although these, with Soviet military supplies, are important for India. The Indian Prime Minister will want to know how the internal structural and policy changes in the Soviet Union will affect the "special relationship" between the two countries.

Indian officials have watched with some concern the growing relations of the Soviet Union with other countries in Asia, particularly China and Pakistan, and it is expected that the two leaders will discuss this in some detail. India's concern is not just political, it also fears it may lose some trade advantage to these countries.

Officials say the talks will also focus on Mr Gorbachev's perception of the relationship between the two superpowers, particularly as the Soviet leader will soon be visiting the US. The feeling in New Delhi is that this, together with the overtures being made to Asian countries, could have an impact on Indo-Soviet relations.

The talks will also cover recent developments in South Asia, particularly developments in Afghanistan, over which India has been a staunch supporter of Soviet policies. Mr Gandhi is expected to explain India's position on Sri Lanka and other South Asian countries, including the changing picture in Pakistan.

South Africa bans fringe right-wing organisation

By Anthony Robinson in Johannesburg

THE South African Government yesterday announced the banning of an extreme right-wing fringe organisation the Blanke Bevrydingsbeweging (BBB or White Freedom Movement) in response to Tuesday's killing of six blacks by a right-wing white gunman in Pretoria.

But it stopped short of banning the much bigger paramilitary Afrikaner Resistance Movement (AWB) to which the alleged murderer claimed to belong. The accused, Mr Barend Strydom, a 23-year-old former policeman, appeared in court yesterday and was sent to a mental hospital for 28 days' observation after a police doctor told the court that his behaviour "would fit a psychopathic personality".

The mass shooting of blacks in the heart of the nation's capital by a self-proclaimed white extremist has triggered off widespread demands for the Government to be seen to be acting impartially to stamp out violence from both ends of the political spectrum. The Government has already banned 23 left-wing organisations, mostly linked to the United Democratic Front.

Its reluctance to clamp down equally hard on the AWB, led by Mr Eugene Terreblanche, reflects the Government's belief that, despite all its propaganda against the African National Congress as a terrorist organisation, its real fear is of doing anything which would unleash armed white extremists, many of whom are either trained by, or members of, the police and security forces.

Right-wing leaders hastened to condemn the Pretoria shooting yesterday while at the same time expressing their understanding for Mr Strydom as a symbol of the pressures and resentment building up among some whites. Mr Robert Van Tonder, leader of a group dedicated to the re-establishment of the old pre-war Boer Republics as Afrikaner-controlled white states, said yesterday that Mr Strydom had articulated the hopelessness, grudges and fears of whites who saw the Boer nation being suppressed and its culture and language trampled on.

Meanwhile the judge in the long running Delmas treason trial yesterday ordered the release of three of the 19 black radicals on trial on treason and murder charges arising out of the black revolt which erupted in the Vaal Triangle around Johannesburg in September 1984. Judgment is expected today at the conclusion of a lengthy summing up by Mr Justice Van Dijkhorst.

Yesterday he told the court that the state had proved the crime of treason after earlier having ruled that "the UDF was the internal realm of the ANC and was conceived, nurtured and directed by it". Apart from treason and subversion, several of the accused face charges of murder arising from the killing of black community councillors by enraged black mobs allegedly egged on by the accused. If found guilty they face long prison sentences or death, *although the defence* is expected to lodge an immediate appeal for the case to be reheard in the Bloemfontein Appeals Court.

Taipei opens way for old guard to go

By Bob King in Taipei

TAIWAN'S Executive Yuan (Cabinet) has approved a bill that allows for the retirement, voluntary and otherwise, of members of parliament and other national representatives who last stood for election decades ago.

The scheme was one of six reforms begun under Mr Chiang Ching-kuo, the late president, and has since been the subject of intense debate in the three national representative bodies.

Elderly members have fought to keep their positions and their perquisites, and have argued that the Government would seem to be giving up its claim to represent all of China if mainland-elected representatives were, in effect, put away.

The bill, which has long been expected, was approved at a Cabinet meeting yesterday. It provides a system that will allow these representatives to retire with pensions and be replaced by younger people elected from Taiwan.

The bill, which now goes to parliament for approval, also provides for the automatic dismissal of representatives who are too ill to serve, those who have not attended sessions for more than one year, and those who have been out of the country for more than six months.

If such representatives do not apply for retirement within six months of the enactment of the new law, the Government will automatically dismiss them, according to the bill.

The new measure, which the Cabinet says "fully respects the wishes of senior members", provides sizeable pensions for all retiring representatives, either in a lump sum or on a monthly basis.

Cement-makers count cost of bureaucracy

Julian Ozanne reports on the Kenyan cement industry's battle against price control

A *SEEMINGLY* straight forward decision about whether or not to build a new cement plant is, in Africa, an intensely political matter.

Strict economic considerations about the financial feasibility of the project and the state of the industry often play a poor second fiddle to the political potential inherent in any new major construction venture.

A site has to be chosen, loans negotiated and lucrative contracts awarded.

It is not surprising therefore, that, in the face of muted opposition from international donors and the existing cement industry, the Kenyan Government has pressed ahead with plans to build a Ksh1.8bn ($100,000) cement plant in West Pokot district in western Kenya.

This latest government foray into the volatile cement market threatens to further destabilise an industry already debilitated by falling exports and an inflexible price control system at home.

There are presently two cement factories in Kenya producing 1.3m tonnes a year. East African Portland Cement, 50 per cent government owned, is the smaller of the two. Its 350,000 tonnes annual production is sold exclusively to the domestic market.

Bamburi Portland Cement Company produces 950,000 tonnes of cement a year. Until 1982, it was Kenya's main manufacturing exporter. In that year it exported 800,000 tonnes of cement mainly to Reunion, Sri Lanka and Mauritius earning *Kenya approximately* Ksh480m in foreign exchange.

But export prices have collapsed in the past five years because of worldwide cement dumping, and markets have shrunk as many importers have commissioned their own cement plants.

Last year, Bamburi exported only 378,000 tonnes at prices substantially below full production costs.

'The treatment of the cement industry has been a very bad example to foreign investors. From budget to budget we don't know whether things are going to suddenly change and we can't make long term projections'

With a declining market abroad, Bamburi increasingly focused its attention on the protected home market where demand was increasing substantially as a result of a mini boom in the construction industry.

Domestic demand in Kenya increased from 555,000 tonnes in 1984 to 915,475 tonnes in 1987 and is expected to continue growing by 5 per cent a year. This gave Kenyan cement producers a desperately needed second breath of life.

But as the company turned inwards it came up against a harsh, bureaucratic cost-based price control regime.

Cement and other building materials are considered vital *economic commodities* in Kenya, particularly to low income families, and have been price controlled since 1971.

Until early this year, Bamburi's ex-factory selling price had been allowed to increase by only 11 per cent in seven years. After three years lobbying from the industry the Treasury reluctantly agreed a 10 per cent increase in May – a third of what had been requested.

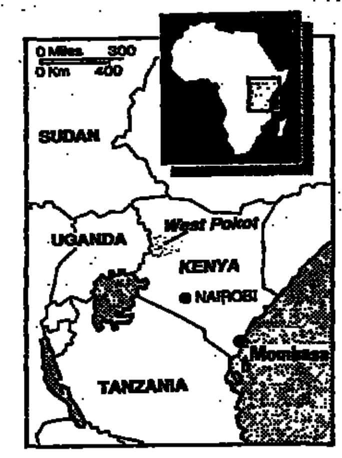
In the meantime, the cement companies have had to shoulder the burden of increased costs themselves and they began eating into their capital.

"The cement industry is a sick industry. There is no question about that," said Mr Robert Brenneisen, Bamburi's managing director.

"But we've been unfairly penalised in Kenya by the inflexible implementation of the price control system. It's been very difficult to communicate with the Government. We make a price increase application to the Price Controller then, by the grace of the Lord, maybe three years later we get a third or a half of what we asked for. Sometimes we feel we are living in a void."

Given the rate of inflation in Kenya, currently running at about 9.5 per cent, and the skyrocketing costs of road transport and electricity (up 85 per cent in the past three years) it is not surprising that the company has made a loss in three out of the last five years. And the factory has been going through a serious decapitalisation process.

Last year the company reported an after tax loss of Ksh36.6m ($2m). No dividend *was paid for the fifth year running.*



Bamburi has also been hammered by substantial exchange losses on the repayment of foreign loans because of the depreciation of the Kenyan shilling. Over the past three years the company estimates it has lost Ksh126m.

Despite recent government concessions allowing exchange losses to be considered for tax purposes from next year it is clear that the foreign owners of Bamburi – Cemetia AG of Switzerland and Blue Circle Industries UK, each of which own 37 per cent of the company – are reluctant to invest further without substantial reforms or abolition of the price control system.

"The treatment of the cement industry has been a very bad example to foreign investors. From budget to budget we don't know whether things are going to suddenly change. We can't make long term projections. And our shareholders can not be expected to invest further in Kenya unless there is a guarantee on pricing and a positive outlook into the future. At the moment there is not," said Mr Brenneisen.

The price control system is coming under increasing criticism. Kenya is currently gripped by a crippling national nail shortage because manufacturers say *they can't produce* at present prices.

And the Kenya Association of Manufacturers recently called for the abolition of price controls describing them as having "created monopolies, caused disruptions in production, decreased Kenya's export competitiveness, encouraged hoarding, delayed investment in new or expanding businesses, and created an unnecessary, costly, *unresponsive* bureaucracy."

Given the instability in the industry, the announcement of government plans to build a new cement factory have been met with concern. There are significant question marks over the isolated site in western Kenya which lacks the necessary infrastructure and several western economists doubt if the factory will produce at anything like the costs at the existing plants.

While there is clearly growing demand for cement in the country, many donors feel the Government should first reform the price control-import restriction system and consult with the industry to see what can be done to capitalise on existing capacity.

But these are econmonic questions in what may ultimately be a political matter.

Swapo ready to sign a peace accord

THE South-West Africa Peoples Organisation, the Namibian nationalist guerrilla group, said yesterday that following agreement on a timetable for a Cuban troop withdrawal from Angola it was ready to sign a formal ceasefire with South Africa to end the war in Namibia, Reuter writes from Lusaka.

Mr Hidipo Hamutenya, Swapo information secretary, said the organisation, which has been observing a unilateral truce since September 1, was ready to "immediately translate the existing truce. . . into a formal ceasefire".

Mr Hamutenya told Nampa, the Swapo news agency, in Luanda that the world was *now waiting for South Africa* to keep its word to give independence to Namibia, a vast, mineral-rich territory controlled by Pretoria since World War I.

Negotiators from South Africa, Angola and Cuba announced in Geneva on Tuesday that under a US-mediated peace process they had drawn up a draft agreement on a schedule for the complete withdrawal of the estimated 52,000 Cuban troops in Angola.

The Nampa report was telexed to Reuters in Lusaka from Swapo headquarters in the Angolan capital.

"The attention of the world is now focused on the Pretoria regime for it to honour its side of the bargain by accepting the immediate implementation of Resolution 435 so that the coming year will see the birth of the new independent state of *Namibia*." Mr Hamutenya said.

Security Council Resolution 435 passed in 1978 is the United Nations blueprint for Namibian independence which was due to have been implemented from November 1.

● Mr Anatoly Adamishin, the Soviet Deputy Foreign Minister, said in Moscow yesterday that this week's trilateral Angola agreement in Geneva could help the search for a solution to the problems of the whole of southern Africa.

Mr Adamishin told a news conference the Angolan Government had a programme for a political settlement of its own domestic conflict with Unita rebels that could be implemented if outside interference in the country was halted.

Gunmen kidnap Red Cross Swiss in south Lebanon

By Jim Muir in Nicosia

A SWISS delegate of the International Red Cross was abducted by gunmen in south Lebanon yesterday, the first such kidnapping of a Westerner for six months.

Mr Peter Winkler was intercepted and dragged from his Red Cross vehicle by three *gunmen near the big Palestinian* refugee camp of Ain al-Hilwe, on the city's eastern outskirts. He was forced into their green BMW and driven off at speed.

Intensive contacts were under way throughout the day to try to trace Mr Winkler and secure his release. But by nightfall, there was still no definite word on his whereabouts or the identity and motives of *his abductors*.

Hard-line Palestinians from the renegade Abu Nidal faction are believed to have been behind several earlier kidnappings of western aid workers in the Sidon area.

In February, two Scandinavians working for the UN Relief and Works Angency were abducted and held for three weeks. A month later, Mr Peter Coleridge, a British Oxfam official, was seized in Ain al-Hilwe and detained for five days.

Both Mr Coleridge and the UNRWA officials were released after heavy pressure on the kidnappers from Palestinian and Lebanese groups, fearful that international aid organisations would suspend their activities in the area.

But Mr Jan Cools, a Belgian doctor, working in the far south has not been seen or heard of since May, when he was believed to have been abducted by gunmen near Tyre.

Swiss embassy officials have been worried for some time about the possible risk to their nationals in Lebanon stemming from the detention in Switzerland of a young Lebanese Shia militant on hijack and murder charges.

Mr Hussein Ali Muhammad Hariri was arrested in July last year and is to appear in court in February, charged with the *hijacking of an Air Afrique air*liner and the killing of one of its French passengers.

Despite the embassy's anxiety, the ICRC maintained more than 30 Swiss nationals on active duty in Lebanon, almost all of them in kidnap-prone areas such as West Beirut and the south of the country

While some speculation yesterday linked Mr Winkler's abduction to the hijack case, Palestinian officials in Sidon hinted that it might have been the work of anti-PLO radicals trying to discredit the organisation in the wake of its decision this week to declare a Palestinian state alongside Israel.

Farmers objecting to US agricultural imports launch an attack on police lines in Seoul yesterday

Peres claims PLO distorts UN resolution

MR SHIMON PERES, the Israeli Foreign Minister, said yesterday that Palestinian leaders had distorted and destroyed a UN resolution implying recognition of Israel when they voted to endorse it at a meeting this week, Reuter writes from Jerusalem.

He said they had changed the meaning of the resolution by linking it to a demand for Palestinian self-determination and in doing so had closed the door to talks with Israel.

In the occupied West Bank and Gaza Strip, Israeli troops wounded at least 10 Palestinians during clashes with demonstrators and army search-and-arrest operations.

Mr Peres spoke at a news conference to launch an Israeli campaign to counter the largely favourable international response to the acceptance of UN Security Council resolution 242 by the Palestine National Council, the Palestinians' parliament-in-exile, at a three-day meeting in Algiers.

"It buries the definition of 242. It really kills it," he said. "This is not acceptance of 242 but rejection of 242, using the title and changing the content entirely. In so doing they are closing the door to negotiations."

Israel says the Palestine Liberation Organisation might try to exploit the demand for self-determination to claim all of what was once Palestine, including Israel. Israel has told its ambassadors abroad to help combat an image of PLO moderation it fears the meeting may have produced.

US and Britain take divergent views of Palestinian issue

By Peter Riddell in Washington

THE British Government is taking a distinctly more positive view than the Reagan Administration of this week's decisions by the Palestine National Council towards Israel.

Differences of emphasis between the European and US views have been signalled by Mrs Margaret Thatcher, the British Prime Minister, during meetings with President Reagan and senior members of his administration on her two-day visit to Washington.

During a series of early morning interviews with the US television networks, Mrs Thatcher argued that the vote by the council, the Palestinians' parliament in exile, appeared to recognise Israel's right to exist by accepting United Nations resolution 242. If correct, this was, she said, "a modest, *but significant* step forward – something to build upon".

In contrast, the US State Department on Wednesday described the resolution as too ambiguous to justify direct dialogue between Washington and the Palestine Liberation Organisation. The US seeks a clear and unambiguous recognition of Israel and renunciation of terrorism.

Mrs Thatcher has qualified her response to the Algiers decision by insisting that it needs to be looked at "carefully". She said it was very difficult yet to read all the small print.

In particular, Mrs Thatcher argued in Washington that the

Assad: needless concesssion

Middle East should be given a higher order of priority and a *greater focus by the US administration.*

She balanced the positive points of the apparent acceptance by the Palestine National Council of resolution 242 and the implicit recognition of Israel by saying it was a pity that this was not explicit and that violence in all its forms had not been renounced.

But, overall, she took a positive view and said there would *have to be talks between the* representatives of the Palestinian people (though not necessarily the existing PLO) and Israel towards a negotiated settlement.

Andrew Gowers adds: Twenty-eight Arab, Islamic and non-aligned countries have now recognised the independent Palestinian state proclaimed by Mr Yassir Arafat, the PLO chairman, on Tuesday.

In the Arab world, the main exceptions are Egypt and Syria. Egypt has declared its support for the PNC decisions, but has held back from recognising the putative state, partly for fear of disrupting its relations with Israel and the US. President Hosni Mubarak *argued yesterday that Egypt's* backing for the PNC was more effective than recognising the state.

Syria, however, sees the PNC decision to accept a two-state solution to the Arab-Israel conflict as a needless concession to Israel for which the PLO will get nothing in return. President Hafez al-Assad, Mr Arafat's fiercest opponent, is evidently prepared to bide his *time in the belief that the Palestinians* will be disappointed. But the Syrian leader, who has always sought to maintain a say in Palestinian affairs, would be concerned if the PLO were to obtain greater freedom of manoeuvre to negotiate with the West as a result of the Algiers decisions.

Hardline Palestinian splinter groups based in Damascus have been unequivocal in their condemnation of the PNC's decision to accept resolution 242. The PLO leadership is also concerned that Mr Assad may express his disapproval by preventing Damascus-based participants in the PNC from returning to Syria as he did after its meeting last year.

Singapore levy upsets business

SINGAPORE business leaders have criticised a government move to increase a levy on businesses that employ foreigners, saying it would raise costs steeply, Reuter reports from Singapore. The Singapore International Chamber of Commerce said the increase of up to 47 per cent, would add to business costs and hurt Singapore's competitiveness.

The government announced *Wednesday it would increase* the levy progressively to $250 per worker per month from between $170 and $200 now to check an influx of foreigners.

The measure could lead to a wage spiral and job hopping as companies try to outdo one another by offering higher wages, the SICC said. Singapore relies heavily on foreign workers, officially estimated at 150,000 out of a workforce of *1.2m. But officials said* unskilled foreign workers have not helped upgrade skills or make higher value-added products.

Mr Linn In Hua, president of the Singapore Chinese Chamber of Commerce and Industry, said a better way to control the influx would be to limit work permits. The SICC said the Government could instead implement a graduated system that would increase the levy on *companies with a higher* percentage of foreign workers.

Mr Stephen Lee, president of the Singapore National Employers Federation, said textile, wood and metal industries would be hurt and he urged the Government to reconsider the levy.

Demonstrations raise tensions in Seoul

By Maggie Ford in Seoul

THOUSANDS of farmers marching on Seoul's US Embassy were surrounded by riot police and repelled by teargas yesterday, as tension rose on the eve of hearings into a bloody uprising in South Korea eight years ago.

The demonstrators, demanding an end to US trade pressure on Seoul also insisted on the repentance of former strongman President Chun Doo Hwan. *The latest in a series of* protests, they will be followed by a big rally tomorrow. At least 30,000 workers held a peaceful anti-Chun march last weekend.

The hearing into the Kwangju killings, in which at least 200 people died protesting against the imposition in 1980 of martial law by Mr Chun, may implicate a number of senior officials in the present Government headed by President Roh Dae Woo.

They are also likely to focus on the role of the US military, which has operational command of the South Korean Army as well as the 43,000 US troops in the country.

Among witnesses will be Mr Kim Dae Jung, the senior *opposition leader who was jailed* the day before the killings started but was subsequently accused of fomenting rebellion and sentenced to death.

South Korea's three opposition leaders yesterday expressed their shock that two former generals, now senior government officials, had received military decorations for their role in the killings.

One of the two men, Mr Park Jun Byung, Secretary General of the ruling Democratic Justice Party, was yesterday named in another strong opposition protest following the detention of a journalist by the prosecutor's office. The opposition leaders accused the prosecutors of illegally arresting the journalist, being negligent in *the probe of corruption under* Mr Chun's rule and of consulting with Mr Park over allegations concerning another ruling party politician.

Meanwhile attempts by President Roh's aides to persuade Mr Chun to apologise for his behaviour, return illegal assets to the state and leave the capital have so far proved fruitless.

Mr Chun, who is now under virtual siege at his Seoul home from daily demonstrations, appears to have been told that legal action against him will be considered by the Government unless he changes his attitude.

● Agreement was reached yesterday on a meeting between parliamentarians of South and North Korea at talks in the border village of Panmunjom. The two sides decided on a full scale meeting of the assemblies of both countries in Pyongyang followed by 50-a-side negotiating talks and a closing meeting in Seoul. No date was set but the two sides are to talk again next month on details such as the meeting's agenda.

Mexican opposition recognises Salinas win

By Richard Johns in Mexico

MEXICO'S leading opposition party yesterday abandoned its fight to annul the July presidential election and said President-elect Carlos Salinas de Gortari could legitimise his presidency by democratising the federal government.

The National Action Party (Pan), the main right-wing opposition group in the chamber of deputies, said it still maintained Mr Salinas, of the ruling Institutional Revolutionary Party (PRI), won the July 6 election in a fraudulent contest. However, it called for "reconciliation, dialogue and unity" among different political factions after he takes power on December 1.

A PRI document issued on Wednesday by Mr Abel Vicencio Tovar, Mr Salinas' secretary general, entitled "A National Commitment to Legitimacy and Democracy," was generally seen as conciliatory and aimed at preventing a dangerous polarisation which could lead to the "repression" feared by the opposition.

At the same time, Pan has made it clear that a measure of co-existence will depend on the behaviour of the Government.

The document says Mr Salinas' administration "can only legitimise itself through the beneficial exercise of power and, in particular, by the conduct it shows in the first election for which it will be responsible in Jalisco, Guanajuato and San Luis Potosi.

Another condition set by Pan is that the regime should act in the manner of a transitional government respecting a popular mandate for "democratisation, pluralism and social justice."

Earlier this week, Pan members walked out of the Chamber of Deputies in protest at alleged irregularities in the municipal elections in the state of Nuevo Leon.

Both Pan and the broad left National Democratic Front (FDN) coalition are angry about a military parade on the day Mr Salinas assumed the presidency. The show of martial strength is seen by the opposition as a blatant threat.

Markets uneasy over rise in US housing starts

By Anthony Harris in Washington

FINANCIAL market fears of overheating in the US economy were reinforced yesterday by the news of a 7 per cent jump in housing starts and new building permits between September and October, apparently ending a year-long recession in the industry.

The Department of Commerce announcement pointed out that the monthly housing figures were erratic, but were in line with recent figures for retail sales, employment and capacity utilisation.

All had pointed to a quick revival of demand after a run of figures suggesting a slowdown.

These figures have undermined recent hopes that the economy was achieving a "soft landing" which would leave room for continued improvement in the trade balance, and aroused new fears of inflation.

This has been one of the major factors depressing the dollar since the election.

The other is a persistent belief that the incoming Bush administration would welcome a further fall in the dollar to stimulate further export growth.

Dealers believed that during the campaign any dollar weakness would be strongly resisted by the central banks, but since the election they have been prepared to test the will of the authorities in the market.

The devaluation rumours appear to be based on well-informed leaks from the lower levels of the outgoing Administration about official trade forecasts.

These show that the improvement in the US trade account will peter out in the next 12-18 months, and that by mid-1990, the trade deficit may be widening again. Forecasts from the international organisations and academic models show a similar outlook.

The market appears to have drawn its own conclusions from these forecasts.

There is no evidence of any direct leak from the Bush transition team, but the lack of any forthright commitment to the current exchange rate bands from Mr Bush or from the Treasury Secretary, Mr Nicholas Brady, is seen as significant.

Nicaragua in food crisis as storm costs hit $828m

By Tim Coone in Managua

NICARAGUA faces serious food shortages and economic difficulties over the next 10 months because of the hurricane which devastated parts of the country three weeks ago, according to President Daniel Ortega.

In a speech to the country's National Assembly this week, he said the hurricane caused damage estimated at $828m and the Government's economic priority is "to re-establish the minimal productive capacity of the country" with special emphasis on basic grain production.

Food shortages are anticipated over the coming months as stockpiles are run down. These will not be replaced due to the crop losses. Rice and bean production, two staples of the Nicaraguan diet, were particularly badly hit by the hurricane.

The shortages will be alleviated "only in so far as the next harvest is stable and foreign aid arrives," said President Ortega.

So far, mostly food, medicines and emergency shelters have been donated from abroad, while Norway and Spain have offered to help rebuild Nicaragua's shattered fishing fleet. Total foreign aid is unlikely to reach even 10 per cent of the losses.

President Ortega said the Government's economic stabilisation measures have been seriously upset by the hurricane.

Brazil to declare oil strike illegal

By Ivo Dawnay in Rio de Janeiro

THE Brazilian government was yesterday preparing an emergency law to declare the week-old strike by 45,000 oil industry workers illegal.

With alarm mounting among ministers over the prospect of petrol and diesel stocks running out within days, a special cabinet session has decided to submit provisional legislation to the Supreme Labour Court. Under the country's new constitution, industrial action in essential services deemed to damage the national interest can be prohibited with congressional approval. However, detailed enabling legislation is *yet to be drawn up.*

If a temporary law is approved by the judiciary, the government would be empowered to dismiss workers and recruit others if the strikers do not return to work. Congress would then have a month to endorse or throw out the law.

An official at President Jose Sarney's Planalto Palace emphasised yesterday that the government was willing to negotiate on the petrol workers' pay claims, but only after a resumption of work.

Argentine tax decree

The Argentine Government has decreed that 2,400 of the country's largest businesses must pay $2bn in extra tax, half of it by December 19. The tax, known as "forced savings", is an attempt to cut the budget deficit, estimated at 6 to 10 per cent of GDP.

The move is seen as an attempt to claw funds from private industry, which is least able to avoid paying tax in a society where avoidance is the norm, and as a gesture towards foreign creditors, from whom Argentina is trying to obtain fresh loans and who are concerned at the government's failure to cut its deficit.

Meanwhile textile workers have won a 23.7 per cent pay increase, the second group to win big rises in breach of the government's wage norms. Earlier this month metal workers won 27 per cent.

All change in Congress jobs

Janet Bush on the men tipped as new banking committee chairmen

WHEN Congress reconvenes on January 3 both houses will be looking for new chairmen to head their banking committees. They are key jobs at a time of crisis in the savings and loan industry, with the growing political storm over huge leveraged buy-outs on Wall Street and the perennial question of deregulation of commercial banks.

Senator William Proxmire, the redoubtable chairman of the Senate banking committee who pushed hard but ultimately failed to secure repeal of the 1933 Glass-Steagall Act separating investment and commercial banking, has retired after more than 30 years in the Senate.

Representative Fernand St Germain, the feisty chairman of the House banking committee, failed in his bid for a 15th term in Congress after the Rhode Island electorate baulked at re-electing him while he was under investigation by an ethics committee.

The man most widely tipped *to succeed Senator Proxmire is* Senator Donald Riegle, Democrat from Michigan, the third-ranked Democrat on the committee. This is not a foregone conclusion because second-ranked Senator Alan Cranston still has to win the position of party whip - a likely outcome.

On the House banking committee, Rep Henry Gonzales of Texas has the support of House Speaker Jim Wright, also from the Lone Star State, and many senior Democrats on the committee and is almost certainly set to become the new chairman.

There is little doubt that the most pressing and catastrophic problem facing Congress and the banking committees is the parlous state of the savings and loans industry. "There is a tidal wave rolling to the shore which they are just noticing, but no-one has stuck their necks out," one Senate banking committee aide said.

More noise on savings and loans is emerging from the House side. Mr Gonzalez, who *has many troubled savings and* loans in his home state, has proposed that the Treasury make a $50bn loan to the Federal Savings and Loans Insurance Corporation (FSLIC) to bail out insolvent thrifts.

He said on Tuesday that he was seeking a meeting this week with Mr Nicholas Brady, who will be Treasury Secretary in the new Administration. "Progress can be started through actions taken by the Administration rather than waiting for the cumbersome processes of Congress," Mr Gonzalez said.

He believes that the issue is so serious that it will not be difficult to build bipartisan support for action on his committee and, indeed, has already received expressions of support from Republican members.

Congressional staffers believe that legislators will tend to favour the cause of the remaining healthy thrifts and put pressure on the federal government for an infusion of *cash into FSLIC which will not* further burden the industry itself.

Mr Gonzalez is regarded as someone fairly close to the thrift industry, which some Congressional staffers believe could hinder compromise with the Administration on this issue. Nevertheless, he has a reputation for being an honest and forthright politician who will strive to take a fair-minded view.

The deadline being talked about in Congress for action on the savings and loans is August 10, when a moratorium preventing thrifts from opting out of FSLIC expires.

A second key issue for consideration in the 101st Congress will be the resumption (or not) of efforts to break down the barriers between banks and securities houses after this year's marathon efforts to replace the 1933 Glass-Steagall Act foundered.

To some extent, the chances for new legislative proposals *will hang on the concessions* won by commercial banks for expanded securities underwriting powers from the US Federal Reserve. With other pressing matters on the agenda, the banking committees may feel the issue has lost its potency although Mr Gonzalez ranks banking deregulation with FSLIC in his list of priorities.

If anything, the advent of the new chairmen will swing things slightly in favour of the securities industry and away from the banks.

Senator Riegle is regarded as a friend of the securities industry and can be expected to work fairly closely with Representative John Dingell of Michigan, the powerful chairman of the House energy and commerce committee who effectively killed the Proxmire legislative effort.

Mr Dingell's power base may be enhanced by the absence of Senator Proxmire, who resolutely ploughed his own political furrow, *and Mr St Germain*, who had a reputation for being a tough battler for his own turf.

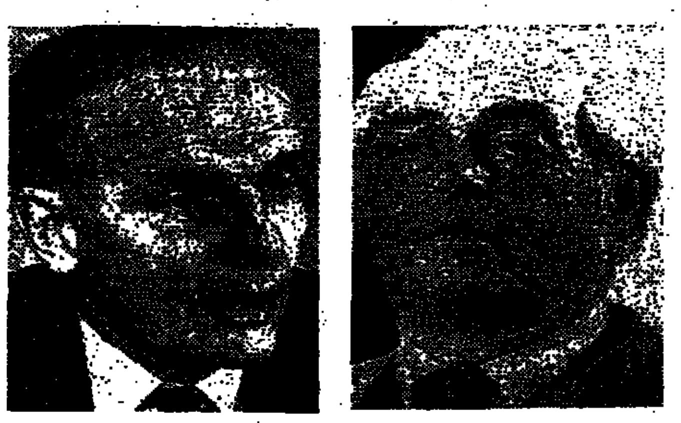
Mr Gonzalez said he is pragmatic and accepts expanded powers for banks with the proper safeguards. He may be less unpalatable to the banks than Mr St Germain in the area of consumer protection.

He offered an amendment which would have toned down *the cumbersome and expensive* consumer protection clauses in Mr St Germain's bill, conscious of not eroding the competitiveness of smaller banks, many in his home state.

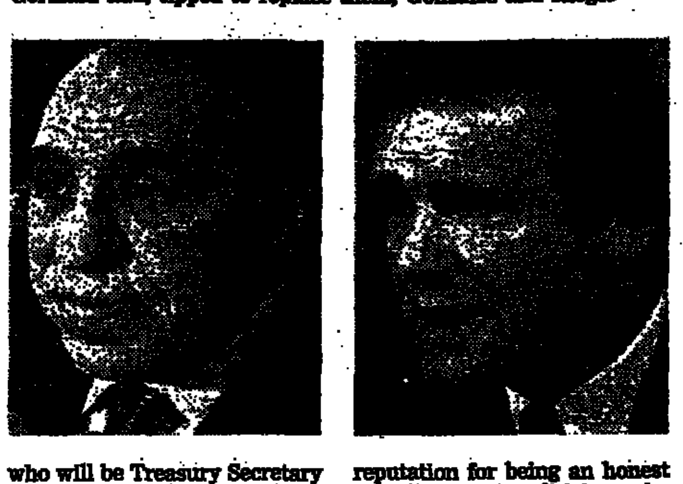
He expresses a willingness to deal with Mr Dingell in a way which he hints that Mr St Germain never tried to do. This may enhance the chances for a compromise bill on banking deregulation from the House or *may lead to a clearer victory* for Mr Dingell and the securities industry.

A measure of Mr Dingell's considerable turf aggression is the fact that he has written to Mr Jim Wright asking for jurisdiction over FSLIC. The Energy and Commerce Committee currently has jurisdiction over the securities industry while the House Banking Committee deals with banks and other financial institutions.

Another issue exercising minds in Congress is the frenzied bout of takeovers and leveraged buy-outs this autumn. No sooner had the election results come in than Senator Robert Dole started to warn about the excesses of leveraged buy-outs. Old-fashioned Democrats never take kindly to what they perceive as the greed factor on Wall Street and there may be some initiatives to cool off the activity.



Clockwise from top left: retiring chairmen Proxmire and St Germain and, tipped to replace them, Gonzales and Riegle



WORLD TRADE NEWS

French electronics industry calls for greater protection

By Paul Betts in Paris

THE FRENCH electronics industry called yesterday for a sharp tightening in local European content for Japanese consumer electronic manufacturing plants set up in Europe as well as the introduction of a "Buy European Act" for government and other public sector contracts to support European manufacturers.

Mr Jacques Caillot, the chairman of the French electronics industry association and a senior executive of the French state-controlled Thomson defence and electronics group, said the French electronics industry wanted to see the 45 per cent local European content requirement for Japanese manufacturing plants increased to 60 per cent.

"This is still not as high as the 80 per cent local European content requirement which the French car industry is insisting on for Japanese cars to qualify as European products," he added.

The French motor industry recently led the way in demanding tougher local content rules for Japanese investments in Europe.

The French electronics industry association also emphasised in its annual report yesterday that the time had come for Europe "to show that it has decided to defend its electronics industry and protect itself from untimely foreign investments by setting up precise restrictive measures".

The association also called for a halt to investments by foreign manufacturers in sectors suffering from overcapacity, such as colour television set production. It added that no permits should be granted to non-European groups to set up manufacturing plants in the EC without transfers of technologies and investment in research and development.

The association also said that foreign investments should guarantee the "real creation of new and lasting jobs" without risking job cuts in other parts of the European electronics industry.

The industry also called for safeguards to guarantee trade reciprocity between the Community and non-European countries after the advent of the single European market in 1992. It said a selective EC safeguard clause concerning possible unfair competition by third countries should be instituted before there was any relaxation of EC import quotas.

It added that no protective measure taken by a Community member state should be abrogated unless a Community measure of at least equal force was first applied.

The association, which groups the country's leading electronic companies with overall sales of FFr187bn last year and which employs nearly 220,000 people, argued that European institutions would also require comparable resources to those of the US authorities under the American Trade Act to guard against failures of reciprocity and to ensure compliance with the rules of fair competition.

It called for a "Buy European Act" similar to the US "Buy American Act" for government contracts until all countries observed the General Agreement on Tariffs and Trade code and complied with the principle of reciprocity.

Mr Caillot said French manufacturers also wanted an acceleration in the processing of anti-dumping complaints which at present could take as long as three years.

The industry warned that unless the French and EC authorities took steps to protect European manufacturers "France and Europe may enter a practically irreversible spiral of de-industrialisation".

The association added that if Europe did not implement swiftly and permanently the necessary tariff and non-tariff protective measures, the European consumer electronics industry would disappear and the whole electronics industry would be dragged under.

IFC interest in Japanese Polish venture

By Christopher Bobinski in Warsaw

THE International Finance Corporation (IFC), a World Bank affiliate, is interested in a joint venture under discussion between the Japanese Asahi company and a Polish glass works in Sandomierz which would involve financing of about $120m, according to an IFC official, Mr Douglas Gustafson.

This follows a DM29m (£9.2m) financing deal for Hortex, an agricultural exporter, signed in Warsaw yesterday.

Projects under consideration include loans to leather goods and toy manufacturers and joint ventures with Orbis, the Polish tourist organisation, for hotel construction.

The loan to Hortex, whose annual exports are worth $45m, carries an interest rate of 8¾ per cent and is to be repaid over 10 years with a three-year grace period.

Hortex is planning to expand sales abroad by installing packaging and refrigeration equipment imported from Sweden, Japan and the US.

Poland joined the IFC last December, the third European socialist country after Yugoslavia and Hungary.

Tokyo seeks 'clean slate' with US on chip trade

By Louise Kehoe in San Francisco

JAPANESE trade officials and electronics industry representatives visiting Washington this week aim to persuade the Administration to "clean the slate" on semiconductor trade friction by lifting punitive sanctions on Japanese electronics products before Mr George Bush takes office.

The sanctions were imposed 18 months ago in retaliation for Japan's alleged failure to open its market to foreign chip suppliers. They comprise 100 per cent import tariffs on selected Japanese products, including laptop computers, to a total estimated value of $165m a year.

Although the sanctions have had little financial impact, they remain an embarrassment to the Japanese Government.

The Japanese claim that they have met the demands of the US by increasing purchases of foreign chips. US sales in Japan have risen by about 30 per cent during the past year, according to industry analysts, and some of the largest Japanese electronics firms have implemented foreign purchase programmes that have significantly increased their use of US semiconductor products.

While US trade officials have previously denied several requests by the Japanese to remove the sanctions, the Japanese hope to receive a more favourable hearing this time.

Many of the US trade officials familiar with the semiconductor issue and those involved in negotiation of the 1986 trade pact have resigned from the Government over the past few weeks as the Administration of President Ronald Reagan winds down. New appointees may be more sympathetic toward the Japanese arguments, representatives of the Japanese in Washington suggest.

The US semiconductor industry, however, remains adamantly opposed to removal of the sanctions. Industry executives claim that the sanctions provide the pressure needed to persuade Japanese companies to maintain efforts to increase foreign chip purchases.

The foreign share of the Japanese semiconductor market, which is about 10.7 per cent, rose by about 2 per cent when the sanctions were imposed, US industry executives claim. Since then, however, there has been little improvement.

Industry officials maintain that the only true measure of progress towards compliance with the 1986 trade agreement must be increased market share. In a "side letter" to the 1986 trade pact, the Japan recognised the US semiconductor industry's expectation that semiconductor sales in Japan of foreign companies should grow "to at least slightly above 20 per cent over the five-year period of the agreement".

For US semiconductor manufacturers, who appear to be heading into a downturn in their domestic market, the issue of Japanese market access is acute. Japanese sales are expected to represent one of the few growth markets over the next year.

New trade legislation enacted during the summer is already having an effect and positive changes have been seen from South Korea and Taiwan in response to US market opening measures, Congressman Dan Rostenkowski, chairman of the House of Representatives Ways and Means Committee, said yesterday, Michael Marray writes from Hong Kong.

Mr Rostenkowski, who was speaking in Hong Kong on the last leg of an Asian tour which also took in South Korea and Taiwan, said he wanted US trading partners to understand that Congress would continue to push in areas such as agriculture, intellectual property and investment.

"It is crucial that the rapidly expanding economies of Asia continue on the bold course their governments have set to reduce their own protectionism," he said.

Mr Rostenkowski added that opening up the Japanese market remained an area of concern and was in the common interest of other Asian countries as well as the US.

Irish leasing group to buy United Airlines' entire fleet of DC8s

By Kieran Cooke in Dublin

GPA, the aircraft leasing group based at Shannon in the Irish Republic is signing a contract with United Airlines to buy its entire fleet of DC-8 aircraft.

GPA will purchase 29 aircraft plus 14 spare engines. The deal is estimated to be worth $500m. GPA said the United jets would start being delivered in the middle of next year. United is re-equipping its fleet and is taking delivery of 30 Boeing 757s. GPA intends to convert many of the DC-8s for cargo use before leasing them.

Other DC-8s will continue to be used as passenger aircraft.

The United contract comes in the midst of a busy period for GPA, the world leader in aircraft leasing operations.

Last week it signed a contract with a new Singaporean carrier for delivery of a McDonnell Douglas series 87. A large contract is about to be signed with a Mexican carrier. Later this week GPA is due to deliver a Boeing 737 to Malev, the Hungarian carrier, the first time a western-manufactured aircraft has been leased to an East bloc country.

GPA now has a portfolio of 150 aircraft on lease to 54 airlines in 30 countries. The total value of its fleet is estimated at $2.7bn. A company spokesman said that on average one new and one used aircraft was being delivered to GPA each week. The company has declared orders for 350 new aircraft for delivery by the mid-1990s.

Moscow and Tehran set to expand trade

By Scheherazade Daneshkhu

TRADE between the Soviet Union and Iran is expected to increase following a visit to Tehran by Mr Alexander Bessmertnykh, the Soviet first deputy foreign minister. His weekend mission marked another step forward for the delicate political and economic ties between the two neighbours.

An expansion of trade and technical assistance in the oil, natural gas, steel and power industries is likely to be on the agenda when Iranian and Soviet officials meet for trade talks due in Moscow next month.

Hojatoleslam Ali Akbar Hashemi Rafsanjani, the powerful speaker of the Iranian parliament, told Mr Bessmertnykh that there was no obstacle to improved relations, according to the official Iranian news agency. Iran has bitterly opposed the Soviet presence in Afghanistan, but took a more conciliatory line after Moscow began to withdraw its forces.

Trade between the two countries has fallen sharply since 1983, when they exchanged goods worth more than $1bn. In 1987 the total was around $250m.

Last month Iran opened a trade exhibition in Moscow for the first time since the 1979 Islamic revolution in an attempt to boost its non-oil exports. Some 80 state and private companies exhibited goods ranging from Persian carpets to Iranian-made television sets.

According to the Soviet newspaper Izvestia, an Iranian official responsible for export promotion expressed hopes that the volume of Iranian-Soviet trade could increase to five or six times the present level in less than three years. He suggested basing future accounts on a clearing agreement to avoid involving foreign exchange.

Iran also needs skilled manpower for the maintenance of some of its war-damaged and run down oil installations. Thousands of Soviet technical advisers left Iran in 1983 when Iraqi planes pounded Iranian cities, and many are still absent despite a 1987 agreement providing for their return. North American oil industry experts are already at work in Ahwaz.

For its part the Soviet Union is keen to play a role in the Iranian reconstruction programme and to maintain relations with a country which it has always considered politically and strategically important.

Ambitious reconstruction plans in Iran and Iraq following the Gulf war ceasefire in August are likely to be seriously restricted by foreign exchange shortages and credit constraints, according to a report published yesterday, writes Victor Mallet.

The report, by the Economist Intelligence Unit in association with Business International, says the two countries together have reconstruction proposals totalling about $70bn, but combined foreign exchange spending for development and new projects is running at only $4bn a year. Prospects for both countries are heavily dependent on oil prices.

Chinese buy disused mill

By George Graham in Paris

A CHINESE steel company has bought a disused French steel mill which has been for sale for the last decade. It is to be dismantled and installed near Peking.

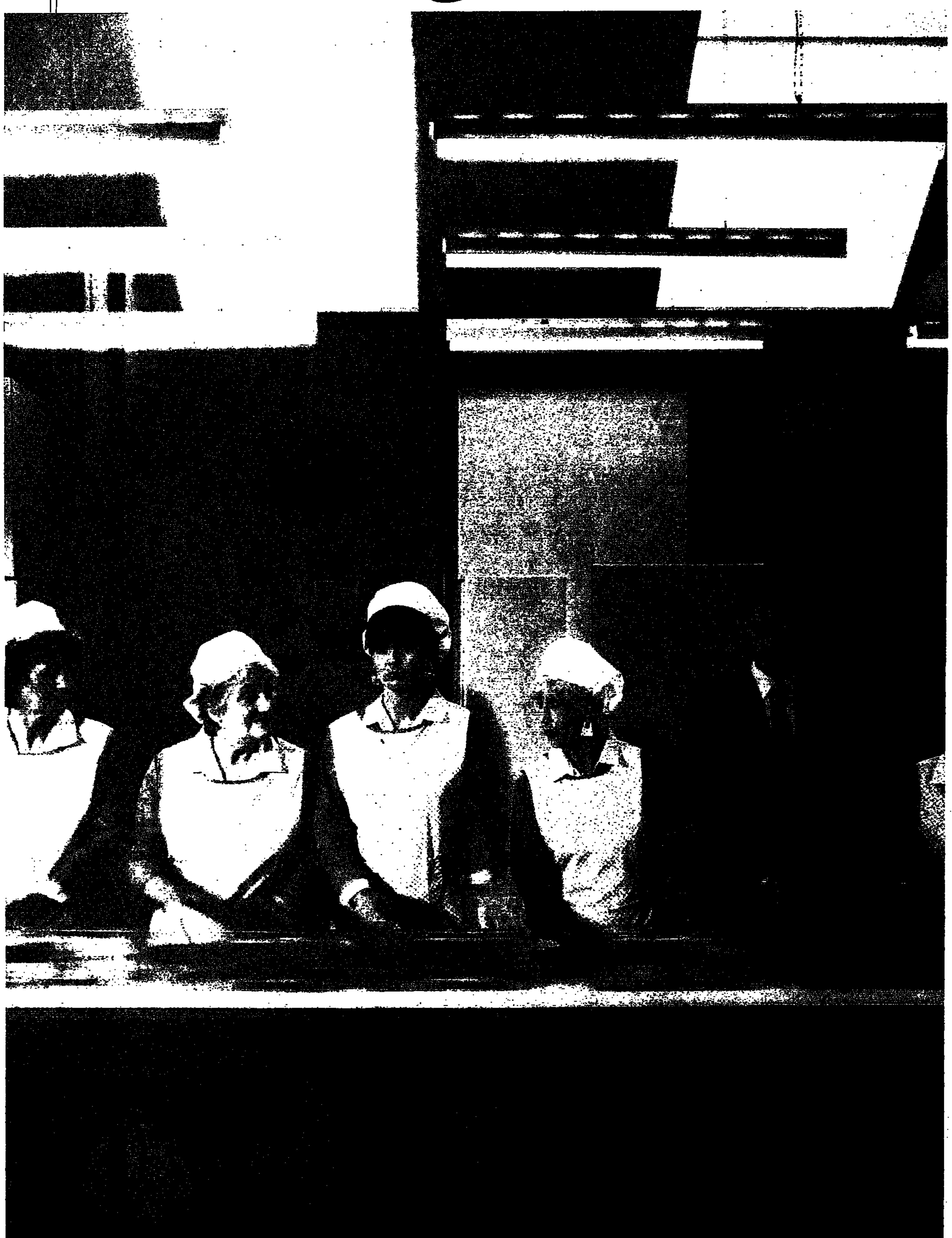
Cambridge Realty, a Lebanese company which bought the Sudacier mini-mill at La Garde near Toulon in southern France in 1979, has sold the mill to the Hunan Trading Company for installation at the Lianyuan Steelworks in Hunan province.

The 16,000 tonnes of equipment date back to 1973, but they are hardly used. The mill's electric arc furnaces and bar and rod rolling mills were closed after less than 18 months in operation.

The mill cost its builders, a group of French, Italian and Swiss interests, an estimated FFr300m (£28m) but was sold to Cambridge Realty in 1979 for only FFr40m. No price has been disclosed for the Chinese purchase.

Chinese buyers, who have in recent years bought up obsolete steel plant from the Round Oak and Manchester mills in the UK as well as from Cockerill in Belgium, have also been looking at other disused manufacturing plant in France, including the venerable production equipment for the VeloSolex motor cycle.

The Solex plant is being closed down in France this year, but China has expressed interest in the resolutely low-tech design of the scooter, practically unchanged since 1946, and may buy the tooling.



CANADIAN ELECTIONS

All eyes east as Canada's poll swings into action

First results could be misleading, says David Owen

Canada's four Atlantic provinces may account for only 11 per cent or 32 of the 295 seats under contention in Monday's Canadian general election, but their results will be the first to be known. Thus, eastern trends will be analysed in meticulous detail during the early stages of the networks' election night specials. As the east goes, so goes Canada, will be the thesis.

Yet the mainly maritime region is particularly ill-suited to serve as such a bellwether. Even in a contest as thoroughly dominated as this one by a single issue – Prime Minister Brian Mulroney's free trade agreement with the US – Atlantic Canada is arguably the region most likely to buck any national trend.

Local concerns and strong political personalities tend to have a stronger influence on voting intentions than the homilies of the respective national party leaders.

"This is a tactile, open, rough and ready place," says Mr Michael Harris, publisher of the Sunday Express, a hard-hitting St John's-based newspaper. There is little local affinity for Mr John Turner, Liberal leader, because "he looks like he is afraid he will catch some disease when he shakes hands," Mr Harris adds.

So if, for example, Conservative Mr Joe Goudie unseats Mr Bill Rompkey in the vast, barren riding (constituency) of Labrador, it will not necessarily presage a good night for the Tories. More likely, it will merely signify that a majority of local constituents favours the establishment of a proposed Nato training base in their riding.

Similarly, if Mr Jack Taylor – the only New Democratic Party (NDP) Member of Parliament east of Ontario – holds St John's East, it is unlikely to herald the party's arrival as a national force in Canadian politics. It will more likely indicate that the spiteful smear campaign against Mr Ross Reid, the likeable and well-qualified Conservative candidate, has done its job.

In Moncton, New Brunswick, Conservative backbencher Mr Dennis Cochrane is widely seen as a potential casualty due to the closure of the local CN Rail locomotive shops.

Even when free trade is at the forefront of the electorate's mind, the topic tends to be seen in local terms.

As inhabitants of the country's poorest region, Atlantic Canadians are particularly alarmed by the opposition's claims – refuted by the Tories – that the free trade agreement may undermine social programmes and regional development subsidies.

In Newfoundland, possessor of a perennially high unemployment rate, the deal could stand or fall by its perceived impact on jobs.

A handful of eastern ridings are nonetheless regarded as potentially reliable barometers of nationwide trends. Of these, perhaps the most frequently mentioned is Halifax. It is a demographically diverse constituency in an attractive, thriving city where Mr Mulroney's trade deal is firmly at the top of the agenda.

Simply stated, if Mr Stewart McInnes, Tory Minister for Public Works, fails to defend a 6,000-strong majority against the irrepressible Ms Mary Clancy, Liberal confidence will soar.

Conversely, if Mr George Baker – a flamboyant Liberal – does not retain his central Newfoundland riding of Gander-Grand Falls, the horizon will look rosy for the Conservatives.

Mr Baker, who by most accounts is less impressive on the campaign trail than in the television spotlight of Prime Minister's question time, faces two strong challengers in Conservative Mr Abe Schwartz and the NDP's Mr Brian Blackmore. The redrafting of constituency boundaries since the 1984 election promises to make this race even closer.

Certainly, if they are to mount a realistic challenge, the Liberals must do better in Atlantic Canada than they fared four years ago. Then, the resurgent Conservatives garnered all but seven of the seats on offer. Few doubt that their eastern tally will improve.

Prime Minister Mulroney greets enthusiastic supporters

Mulroney in bid to halt Liberal revival

By David Owen in Toronto

MR BRIAN Mulroney, Canadian Prime Minister, returned to his native province of Québec for the final days of the general election campaign, in a bid to stamp out a Liberal revival which threatens to frustrate his quest for a second Parliamentary majority.

Mr Mulroney needs a majority if the still unratified US-Canada free trade agreement is to go into effect as planned on January 1. Recent opinion polls have shown his Progressive Conservatives neck-and-neck with the Opposition Liberals.

At an emotional rally in Montreal, the Conservative leader branded the Liberals "Canada's Luddites" for their threats to tear up the trade deal which forms the central plank of the Tory campaign platform.

He also mocked Liberal leader John Turner's recent attempts to explain how he would pay for his party's campaign pledges, saying that "Harry Houdini could not have done better."

Mr Turner, for his part, has been telling audiences that the increasingly vituperative attacks of his rivals demonstrate trade deal proponents "have lost the battle and the debate for the hearts and minds of Canadians." Earlier this week, Mr Simon Reisman, who negotiated the pact, called Mr Turner "a traitor" for opposing it.

Mr Turner also plans to spend the bulk of the campaign's latter stages in Québec. Canada's only predominantly French-speaking province, which accounts for 75 of the 295 seats at stake, is increasingly viewed as the probable key to the result of Monday's election.

Having appeared one of the most solid bastions of Tory support in the campaign's early stages, the notoriously volatile province swung heavily towards the Liberals following Mr Turner's stronger-than-expected performance in the French language television debate.

Recent polls have indicated the Conservatives are beginning to regain momentum.

UK NEWS

Thatcher suffers the mid-term blues

Philip Stephens looks at the clutch of controversial legislation facing MPs

The inevitable pomp and circumstance of the state opening of Parliament will provide only the briefest of respites for the Ministers, MPs and peers who return to Westminister next Tuesday.

Most will barely have had time to shake-off the hangover left by the battles of the last 17-month session before being plunged into what promises to be an equally crammed and controversial legislative programme.

Within a week or so of the Queen's Speech – which outlines the forthcoming legislative programme – the Government will unveil details of the two centrepieces of its agenda for 1989 – bills to privatise the water and electricity industries.

Both must win parliamentary approval before the end of next year if Mrs Margaret Thatcher, the Prime Minister, is to ensure that the sales, the largest ever, are completed before the next general election.

The plan is that the 10 water authorities in England and Wales, will go on sale next November. The electricity industry – with its generating capacity split into two and separated from the 12 new distribution companies – should be ready to take to the market in three stages beginning in the spring of 1990.

Together the two bills will account for a large chunk of the legislative timetable. The Water Bill, which includes provision for the industry's regulatory and environmental functions to be transferred to a new National Rivers Authority, may run to around 200 clauses and more than 20 schedules.

MR NEIL KINNOCK, leader of the opposition Labour party, last night accused the Government of losing control of the economy and pledged his party to stepping up its attack on the Conservatives' economic record, Michael Cassell writes.

Mr Kinnock was speaking at the end of a two-day "shadow" cabinet meeting at Rottingdean in East Sussex, which was held to prepare the party for the new parliamentary session which begins next week, and to help formulate its electoral strategy before next year's local authority and European parliament elections.

Labour leaders expressed confidence that recent economic measures would prove increasingly unpopular with voters over the next few months, and that their party can further capitalise on its recently improved standing in the opinion polls.

Mr Kinnock attacked what he called the inconsistencies of the Government's economic policy and, in particular, Mr Nigel Lawson's performance as Chancellor of the Exchequer. He claimed that the Government would prove unable to eliminate the massive trade deficit and that it was also incapable of dealing with rising inflation or of "coping with an economy they have been instrumental in creating".

Labour also intends to press home its parliamentary attack on a range of other issues, particularly the Government's recent difficulties over health charges and social security benefits. The opposition also plans to set up its onslaught on the community charge, or poll tax, although Mr Kinnock again made it clear yesterday that the party will not support any mass campaign which entails non-payment of taxes.

The electricity bill is significantly tighter but will still confront MPs with another 100 or so clauses and perhaps 12 schedules.

Alongside them will be a raft of other measures. They will will include: reform of the Official Secrets Act; changes in the law on child abuse; yet further constraints on local authority spending; a new prevention of terrorism bill and additional measures to counter terrorism in Northern Ireland; tighter rules on unemployment benefit claims; a bill aimed at simplifying procedures for mergers and takeovers; and an identity card system for football supporters.

The Finance Bill, of course, will come only after the next Budget but two items look certain after recent rulings in the European Court – the imposition of VAT on spectacles and on commercial and industrial construction.

Overall, the Government will claim that the bills provide fresh evidence that it is delivering the radical programme laid out in last year's general election manifesto.

The pervasive mood among ministers is one of quiet confidence that they are still steering the natural party of Government. The gossip in Whitehall's inner sanctums seems to focus on personalities as much as policies – on how Mr Kenneth Clarke's reputation will emerge from his stint as Health Secretary, on who will replace Mr Nigel Lawson as Chancellor and on how Mr Kenneth Baker, the Education Secretary, will fare in the next reshuffle.

As to the legislation, Mr Cecil Parkinson, the Energy Secretary, appears convinced that, despite outstanding difficulties over regulation and the outlook for nuclear generation, electricity privatisation has the potential to be a large vote-winner at the next election.

His colleague at environment, Mr Nicholas Ridley, has devoted a large chunk (about two-thirds) of the water legislation to regulation and environmental protection in order to underscore the Conservative claim to the green vote.

On social issues, a child abuse bill will aim to reassure parents that the Government is determined to avoid a repeat of the Cleveland case earlier this year, during which two doctors caused controversy by their diagnosis of alleged sexual abuse, while the football identity card system underlines Mrs Thatcher's personal crusade against hooliganism.

At the Home Office Mr Douglas Hurd is preparing to do what his predecessors have shied away from for decades – to replace the discredited section 2 of the Official Secrets Act.

The Government, however, cannot afford to be complacent. Despite last week's terrible performance at the Govan (Glasgow) by-election when the Scottish National Party overturned a "safe" Labour seat, the second stage of the Labour Party's policy review offers at least the possibility that it will emerge will a credible set of alternative policies.

Recent opinion polls, including one yesterday showing a halving in the Government's lead in popularity over Labour to 6.5 per cent, suggest that Mrs Thatcher could be in for a period of mid-term blues.

Conservative backbenchers, meanwhile, have demonstrated with their rebellion over the *Government's new charges for dental and eye checks* that they cannot be taken for granted too often.

For its part Labour sees considerable opportunities for point-scoring.

The proposals for electricity and water privatisation have as yet failed to win significant popular support. Nuclear energy is unpopular, and water supplies are regarded by the voters as entirely different from telephones or steelmaking.

If Mr Parkinson is convinced that he can win the electorate over to the electricity sale with the promise of increased competition, better customer services and a relatively modest nuclear programme, Mr Ridley faces a much more difficult task. With water destined to remain under the control of monopoly suppliers and prices certain to rise, it is hard to see a groundswell of popular support.

More broadly, the tone of the session will depend crucially on the economy.

Many of his colleagues have not been entirely displeased by Mr Nigel Lawson's difficulties in the recent row over benefits paid to the elderly, but they are nonetheless relying on the Chancellor to deliver a soft landing for the economy.

Sky News signs £30m deal to beam Visnews channel

By Raymond Snoddy

MR RUPERT MURDOCH'S Sky Television has signed a £30m news contract with Visnews, the London-based international television news agency.

The five-year deal will involve Visnews making available to Sky News, the new 24-hours a day satellite channel due to be launched in February, all its news material including 11 daily satellite "feeds" from around the world.

At the same time Visnews announced that one of the US television network companies, the National Broadcasting Company, was paying $10m to take a 37.75 per cent holding in Visnews whose other shareholders are Reuters, the news and information group and the BBC.

Under the deal, the Reuters stake in Visnews, which supplies television news to more than 400 broadcasting organisations in 84 countries, will fall to 51 per cent. The BBC will retain its existing 11.25 per cent.

Mr Michael Nelson, chairman of Visnews and general manager of Reuters, said that the alliance of NBC, Reuters and the BBC created "a major new force in international news."

The 10-year agreement between Visnews and NBC will involve a full exchange of news between both companies – including NBC's Nightly News and Today programmes – and merging of camera crews and technical facilities in different parts of the world.

Mr Julian Kerr, managing director of Visnews, said the agreement would allow both organisations to avoid duplication.

Sky Television, which plans to use the Luxembourg satellite Astra to launch four channels of television in February, yesterday announced that Mr Andrew Neil, editor of The Sunday Times, has become executive chairman of Sky Television.

It is envisaged that Mr Neil will be involved in the running of Sky with Mr Jim Styles, the managing director, for the next six months. He has told Sunday Times staff that during that period he will be effectively editor-in-chief of the Sunday Times and that Mr Ivan Fallon, the deputy editor, will be in day-to-day control.

Mr John O'Loan, head of News at Sky News, said yesterday that the aim was to have at least half an hour of live news on every hour followed by discussion and light magazine programmes.

Engineering computer installations speed up

By Alan Cane

THE UK engineering sector is investing unprecedented amounts on computers as it takes advantage of the latest personal computer technology, according to figures to be published next week.

Computing equipment worth some £2bn is now installed in British engineering companies, almost double the value recorded in 1986. In the past 12 months alone, 17,400 computers worth at least £330m were installed in companies in the engineering sector.

Only one third of these were replacements or upgrades. It is estimated that the planned spend for 1988-89 in the engineering and processing sectors could be more than £1bn.

The figures will be published in the November issue of the journal Engineering Computers. They are based on a survey carried out by the marketing consultancy Benchmark Research.

The 1988 figures represent a 21 per cent increase on the 14,000 computers which were installed in 1987. The biggest growth has been at the lower end of the market where companies are beginning to take advantage of the power offered by newly available high performance personal computers based on the latest microprocessor chips.

Up to now, engineers needing substantial computer power at a reasonable price have been forced to choose between minicomputer systems manufactured by companies such as Digital Equipment or Prime, costing £60,000 upwards, or workstations of the kind made by Sun Microsystems or Apollo Computers costing perhaps £30,000.

The Benchmark Research figures suggest that many engineering tasks can be tackled using high performance personal computers costing only, say, £5,000.

The market for workstations – essentially very high performance personal computers networked together – remains healthy, however, with some 3,600 machines installed this year, three times the 1984 total.

According to Benchmark Research, the engineering sector will spend £746m on computers in the next 12 months, while the processing sector will spend £302m, bringing the total engineering industry investment to more than £1bn.

International Business Machines of the US has 30 per cent of the total market for microcomputers, 43 per cent of the market for superminicomputers and 50 per cent of the market for mainframes.

Engineering Computers, Findlay Publications, Horton Kirby, Kent DA4 9LL.

Restrictive job practices at BBC to be eliminated

By John Gapper, Labour Correspondent

THE BRITISH Broadcasting Corporation has agreed to eliminate restrictive labour practices within two weeks after being told that a Monopolies and Mergers Commission inquiry may otherwise single out its staff agreements for criticism.

Mr Michael Checkland, BBC director general, insists that all staff schedules must eliminate "the small number of restrictive practices that currently remain" by November 28.

Mr Checkland's instruction was made to managing directors of three BBC directorates after the corporation was told by MMC officials that it might be found to have more restrictive labour practices than independent television companies.

The MMC inquiry into labour practices in the film and television industries under Section 79 of the 1973 Fair Trading Act is intended to establish whether restrictive practices exist, and are against the public interest.

Commission officials have now reached initial findings on which labour practices are restrictive after earlier sending unions and companies lists of deals and practices that they believed might fall under the terms of reference.

However, the Broadcasting, Entertainment and Trades Alliance – the main BBC techical staff union – yesterday sharply criticised the MMC for conducting the inquiry in an manner prejudicial to the union's interests.

The union is worried that MMC officials may not fully address the question of whether any restrictive practices are in the public interest. It believes it could show that its agreements do not operate against the public interest.

Mr Tony Hearn, Beta general secretary, said he believed the MMC was engaged in "a piece of trickery" by warning the BBC that it might find some practices to be restrictive and allowing it to make changes before the commission reports.

In his memorandum issued on Wednesday, Mr Checkland says that the corporation identified a number of restrictive labour practices within the corporation to the MMC when the reference was made by the Government in March this year.

Shah plans campaign to stem slide in sales of new paper

By Raymond Snoddy

MR EDDIE SHAH, publisher of The Post is planning a large-scale television advertising campaign to try to reverse a slump in the circulation of the new daily newspaper launched a week ago.

"Watch this space," Mr Shah said yesterday, although he declined to comment on reports from the distribution industry that sales have fallen to 200,000 and are still sliding. The Post's first day sales were estimated at 500,000.

"If people didn't know the paper was coming how can you expect people to buy it," said Mr Shah, founder of Today, Britain's first colour tabloid, who said he accepted the blame for the lack of awareness about The Post.

Unless the advertising campaign quickly stems the fall in circulation and begins to take sales upwards it is difficult to see how The Post can survive for long. The present circulation is too low to mean much to national advertisers and there is an obvious danger of a downward financial spiral.

Mr Shah has claimed that the newspaper could break even with a circulation of 370,000 and 26 per cent of space as advertising, or on 500,000 without advertisements.

"Not only have we got the technology right and done things the industry said couldn't be done we have got the product right," said Mr Shah, chairman of Messenger Nationwide the company publishing the new paper.

Apart from Mr Shah's Messenger Group, successful publishers of free and paid-for newspapers, the paper is backed by RIT Capital Partners, an investment trust run by Jacob Rothschild Holdings and Chelsfield a private investment company.

"All the investors believe in the product," insisted Mr Shah who lost control of Today, now wholly owned by Mr Rupert Murdoch's News International, after initial losses mounted.

The performance of The Post so far seems to confirm the assessment of many newspaper industry specialists that the mass newspaper market – The Sun, Daily Mirror and The Star – is highly competitive and difficult to enter.

UK NEWS

SE delays rule for automated trading systems

By David Lascelles

THE LONDON stock Exchange has decided to suspend the introduction of a controversial rule affecting automated trading systems, pending a review of the market's workings which was announced yesterday.

Mr Nigel Elwes, chairman of the UK equity market committee, said in a letter to members that the review would cover the structure, rules, regulations and technical support of the ystems which enabled investors to deal with the market through computers which sought the best price automatically.

Two firms, Kleinwort Benson and Barclays de Zoete Wedd (BZW), have developed such systems. But the Stock Exchange is preparing a system of its own, Saef, which is to be phased in between November 28 and next February 13.

The controversy has arisen because a new rule, originally due to be confirmed on December 5, is seen by many members as an attempt to favour Saef at the expense of the Kleinwort and BZW systems.

The rule would have prevented Kleinwort and BZW from transacting deals for investors at the most favourable prices unless they themselves were quoting such prices on their own screens.

Mr Elwes said yesterday that his committee was recommending to the council that the rule should not be confirmed, pending its review of the UK equity market, due by March 31. Some institutions have expressed concern to the Exchange about the rule, including, it is believed, the Securities and Investments Board, the financial services regulatory body, and the Bank of England, the UK central bank.

Mr David Clementi, managing director of Kleinwort Benson Securities, said last night: "We are pleased that the Stock Exchange has agreed to look at the rules again."

Critics of the systems developed by Kleinwort and BZW claim that they are "parasitic" because they offer trades based on prices made by other market makers.

In his letter Mr Elwes says that following discussion with market makers, his committee had agreed to a gradual phasing-in of the Saef service up to the "live" date of February 13.

Miners open merger talks with TGWU

By Charles Leadbeater, Labour Editor

THE NATIONAL Union of Mineworkers, which for decades has been at the core of the politics and culture of the British labour movement, is to open talks with the Transport and General Workers' Union, with the aim of agreeing an amalgamation, which would bring to an end the NUM's independence.

Mr Ron Todd, the TGWU's general secretary, said yesterday that the talks were likely to begin in January. It is expected the NUM would become part a section the TGWU, is creating for energy workers.

The move to start formal talks follows several months of informal discussions between leaders of the two unions, which culminated in a meeting at the NUM's Sheffield headquarters on Tuesday, between Mr Todd, and Mr Arthur Scargill, the NUM's president, and Mr Peter Heathfield the miners' general secretary.

One of the crucial issues in the talks is likely to be Mr Scargill's future within the TGWU, Britain's largest union with about 1.2m members. Right-wingers within the TGWU fear an amalgamation could allow Mr Scargill to stand for election as the union's general secretary.

The amalgamation talks could take several months to conclude. However, decisions taken yesterday by a TGWU rules revision conference will mean that Mr Scargill would be almost assured of being able to stand for a senior post within the TGWU after an amalgamation.

The conference, called to amend the union's rules in line with the Employment Act 1988, agreed that Mr Todd should take advantage of arrangements which will allow him to remain in his post until 1992.

Term-time jobs on offer at Dixons

By John Gapper, Labour Correspondent

PARENTS are being offered the chance of working as retail sales staff during school term times only by the Dixons Stores Group, the electrical goods chain, in one of the most radical responses yet to growing labour shortages in south-east England.

The company is offering mothers the chance to take breaks during school holidays to look after their children. It hopes to fill their places at Currys and Dixons stores in the holidays with students.

Dixons is advertising in and around London for workers over the age of 40 and with children.

The scheme has been launched as a growing number of employers – particularly in the south-east – are looking for alternative recruitment sources because of the expected fall in the number of young people in the labour force up to 1995.

It follows a recruitment drive in the south-east for workers over 55 by Tesco, the multiple retailer.

The decline in the number of school leavers up to 1995 is creating interest among employers in working patterns and benefits which attract mothers. About 800,000 more women are expected to join the labour force up to 1995.

Although some employers – including the Midland Bank – have launched workplace nursery schemes to try and recruit and retain working mothers, there have been no known cases of big employers offering guaranteed term time working.

Dixons' idea was one of a number of pilot schemes aimed at attracting full and part-time staff.

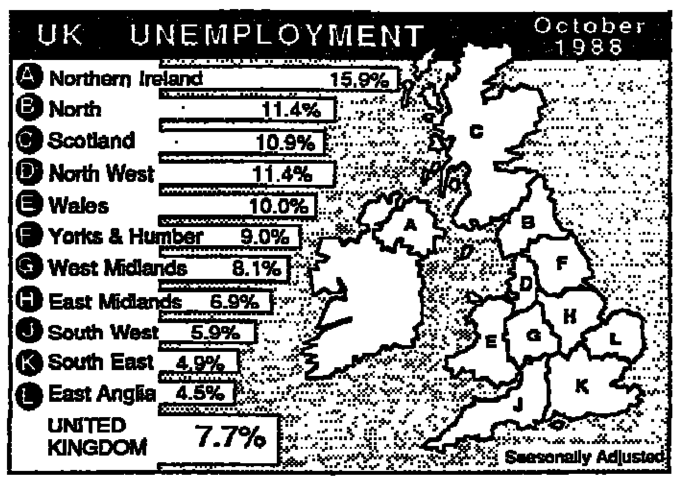
Ms Avril Stead, Dixon's retail resourcing manager, said the company had already found a heavy response from mothers who could not take jobs requiring work during school holidays. It was confident it could offer them secure jobs with holiday breaks.

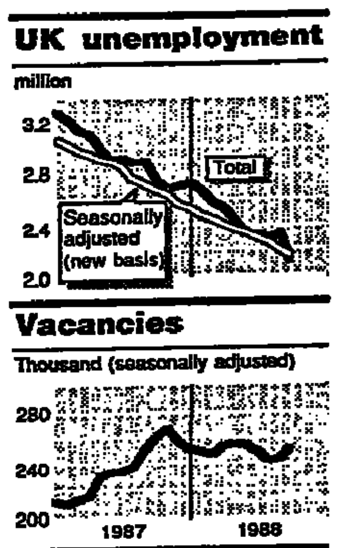
The company was also keen to attract older workers because it believed that their knowledge of electrical goods and manner would be attractive to customers. It wanted tc encourage a mix of ages among its 12,000 sales staff.

Employers such as the Civil Service run school holiday play schemes to attract working mothers, but the number of workplace nurseries remains limited.

Unemployment total dips to 2.16m

By Ralph Atkins, Economics Staff





BRITAIN'S OFFICIAL unemployment total fell for the 27th consecutive month in October but earnings growth remained stubbornly high, Government figures yesterday showed.

Unemployment fell by 31,500 last month to 2.16m after adjustment for normal seasonal variations, the Department of Employment said. The total was the lowest since May 1981.

The unemployment figures, based on benefit claimants, use a new measure that excludes many 16 to 18-year-olds and reflects changes in the benefit system. The department said this was the seventh change to the method of calculation that has had a discernable effect on jobless totals since 1979.

Previous month's figures for seasonally-adjusted unemployment have been adjusted to give a consistent series.

The unadjusted unemployment total showed a record drop of 192,000 to 2.12m in October. However, this included 50,000 under 18's who left the count in October after the benefit changes. It also reflected the unwinding of the effects of September's postal strike when 55,000 people were mistakenly counted as unemployed.

The department estimates the benefit changes will eventually remove around 90,000 from the total count of which 80,000 disappeared in September and October.

Recent figures for the seasonally-adjusted series, which give the best guide to the underlying trend, suggest unemployment falls may be decelerating. In the six months to October the average monthly fall was 40,500 compared with 43,500 in the previous six months.

October's figures show a rise of 10,900 in vacancies registered at Jobcentres – the first rise since June. It suggests the labour market may be tightening with companies unable to match workers with job opportunities.

However the trend in the last six months was downwards, with an average monthly decrease of 800. Yesterday the Campaign for Work, which lobbies on behalf of the unemployed, said this showed it was still difficult for the jobless to find work.

Despite strong earnings growth, the figures show labour costs in manufacturing remain subdued – largely because of buoyant productivity increases. Manufacturing employment fell by 19,000 in September.

In the three months to September wages and salaries per unit of output in manufacturing were 0.8 per cent higher than the corresponding period a year before.

Mr Norman Fowler, employment secretary, said that there had been a few encouraging settlements in the present wage round. He hoped earnings growth would moderate but said it was a matter for employers and unions.

Mr Michael Meacher, Labour's employment spokesman, criticised the changes in method of calculating unemployment which, he said, "mark the most decisive break with reality we have yet seen by a Government that has made wishful thinking on unemployment a statistical art."

Latest international comparisons show that in August, UK unemployment as a proportion of the workforce was lower than in Spain, France and Italy. However, it was higher than in West Germany, the US or Japan.

Simon Holberton writes: the investment boom appears to have faltered in the third quarter of this year, with spending on new plant and machinery down 6 per cent compared with the April to June period, official figures released yesterday indicate.

Provisional figures released by the Department of Trade and Industry show that manufacturing investment, measured in 1985 prices and including leased assets, was £2.7bn in the July to September period compared with £2.9bn in the second quarter. Investment in the September quarter, however, was nearly 9 per cent higher than in the same period a year ago.

However, the Treasury and economists in the City of London cautioned against reading too much into the figures.

The Treasury said that provisional figures tended to be revised significantly in later periods. It said the estimate for the third quarter did not square with the DTI's own, usually accurate, investment intentions' survey, which pointed to a large growth in investment this year.

Earnings rise checked by output growth

By Ralph Atkins, Economics Staff

AVERAGE earnings increased at a rapid pace into September but strong productivity growth helped check manufacturers' labour costs, according to labour market statistics published yesterday.

Department of Employment figures show average earnings increased at an underlying rate of 9.25 per cent in the year to September – unchanged from August. It compared with annual rates of about 8.5 per cent at the beginning of the year.

The increase was in line with expectations in the City of London, but the strength of earnings continues to unsettle financial markets. Higher earnings, it is feared, could feed into increased labour costs per unit of output and lead in turn to higher inflation.

Latest figures show productivity is growing strongly, largely offsetting the growth in earnings. However, many analysts believe that this may change next year as output growth slows – particularly if wage settlements pick up in the current pay round.

Both the Treasury and Mr Norman Fowler, Employment Secretary, emphasised yesterday that it was up to management and unions to keep a tight grip on labour costs. The Government hopes that its policy of firm exchange rates will exert pressure on companies to control costs.

In the three months to September, manufacturing productivity, as measured by output per head, was 7.4 per cent higher than the corresponding period a year before.

This growth meant wages and salaries per unit of output in manufacturing during the three months to September were only 0.8 per cent higher than the corresponding period a year before.

This was lower than the comparable figure for August and compared with annual growth rates of more than 2.5 per cent in the first half of the year.

Split by sector, the September earnings figures show an underlying annual growth rate of 8.75 per cent in manufacturing and 9.25 per cent in services.

The department said overtime in manufacturing remained high in September. An estimated 13.49m hours of overtime were worked per week compared with a revised 13.83m in August.

There was also a fall in hours lost in manufacturing through short-time working in the same period from 270,000 hours per week to 210,000 hours – the lowest for 10 years.

The modest growth in unit labour costs suggests manufacturers are taking advantage of strong demand in the economy to increase profit margins.

Figures earlier this week showed manufacturing output prices rising by 0.5 per cent between September and October while the cost of fuel and raw materials fell.

Takeover panel chief in plea for compliance

By James Buxton

THE CHAIRMAN of the Takeover Panel yesterday issued a strong call for financial advisers and company directors to ensure that Britain's non-statutory Takeover Code was adhered to in bids.

Advisers had "virtually a professional responsibility" to do so, Lord Alexander, the barrister who heads the panel, said in a lecture at Glasgow University.

In a detailed exposition of the role of the Takeover Panel, he said that most of those operating in financial markets sought to do so "carefully and honestly," there would always be some who "in pursuit of their own gain are prepared to act recklessly, irresponsibly and sometimes deceitfully, and who do not care about the loss which they may inflict on investors."

The task of regulating the City of London financial markets did not lie only with formal regulators, he said. Both company directors and financial advisers had responsibility to uphold the Takeover Panel system and comply with the code.

"Continuance of this commitment by advisers remains fundamental to the integrity of the conduct of takeovers and to the whole process of non-statutory regulation. It imposes what is virtually a professional responsibility on such advisers."

It was important, he said, that new entrants to the City and young people should be properly educated by their firms to appreciate their role in the self-regulatory system. "In the fiercely competitive environment of the last few years, with first the rush towards expansion and now staff cutbacks, this may in some places have been neglected."

He said that financial advisers had a special duty to ensure that all directors of a company involved in a takeover were aware of their reponsibilities. This would help ensure that they were aware of actions taken during an offer. In turn this would mean the directors who were conducting the offer on a daily basis would be more accountable to their fellow directors.

Lord Alexander said that financial institutions' compliance officers under the Financial Services Act needed to be "uniformity of the highest quality, commanding respect and an appropriate position of status in the company."

Two charged with attempt to defraud bank of $108m

By Richard Donkin

POLICE have charged a man and a woman after a series of arrests in Britain, the Netherlands and Abu Dhabi in connection with the attempt to defraud Hill Samuel, the London bank, of $108m (£61m).

The international investigation into the fraud, which was discovered before any money was paid out, has led City of London police to charge two people. A police statement said that six other arrests had been made – five in the Netherlands by Amsterdam police and one in Abu Dhabi.

Hill Samuel said last night that it had never employed any of those arrested. It added that police in London had made five arrests in all. Two men had been released on bail and one was still undergoing questioning, the bank said. However, City of London police refused to confirm this last night.

Phivos Alexandrou Karnaos, 48, a company director, and Jennifer Michael Toma, 36, a bank clerk, were charged with conspiring together and with others to defraud Hill Samuel of $48,369,052 (£26.5m) by procuring the transfer of the money to a bank in Abu Dhabi.

Karnaos and Toma, both with London addresses, were remanded in custody for a week.

The attempted fraud at Hill Samuel, carried out by the use of forged signatures on forms authorising payments, was uncovered on October 27. Police, liaising with Interpol and the bank, were able to block payments, most of which had been made through US correspondent banks.

BP AND THE MARKET CRASH

In the third and final article of a series **David Lascelles**, Banking Correspondent, looks at the aftermath of the BP share sale

The weaving of a safety net

The Bank of England was a keen observer of the debate about whether the BP issue should be terminated, and had prepared itself to play the role of "assessor" if the underwriters and the Treasury could not agree what should be done. Shortly after the crash it retained Allen & Overy, the City solicitors, and in the days that followed, it developed a fairly clear idea of the sort of recommendation it would make.

The analysis in Threadneedle Street showed that there were five arguments in favour of proceeding with the issue and six against. The former were the force of the underwriting agreement, the nature of underwriting risk, the manageability of the losses (except possibly in Canada), the good reputation of the London capital market, and the fact that the issue would reduce the Government's need to borrow. The opposing arguments were the impact of the issue on a fragile market, damage to the underwriters, risk of precipitating a recession, damage to BP itself, complications in international capital-raising, and the danger of ignoring considerable foreign pressure that the issue should be pulled.

For the Bank, this was a finely balanced case. Being a cautious institution, its inclination was to recommend a halt to the issue to avoid further risk to the international financial system. But rather than give the blunt answer no, the Bank sought an opinion from Allen & Overy as to whether it could give a broader response. The lawyers said it could. This enabled the Bank to explore a compromise that would allow the issue to go ahead, but limit the damage to the markets. Hence the idea of a safety net under which the Bank itself would buy in the new BP shares if they fell below a pre-determined level.

By Wednesday October 28, it was obvious that the Bank would be asked to assess the case. Robin Leigh-Pemberton, the Governor, was now back from his tour of East Europe, and he agreed with the position that had been adopted: to terminate the issue, preferably, but if it had to go ahead, put in a safety net. The next morning, the Bank prepared its Treasury Room for the hearings. This is an elegant upstairs parlour looking out over the Bank's peaceful inner courtyard, next to the Court Room. At 11.30 Evelyn de Rothschild and Michael Richardson arrived to plead their case why the issue should be stopped, and after them came Sir Peter Middleton from the Treasury to say why it should go ahead. The presentations were a bit of a formality: the arguments had been well aired, and neither side put forward any new evidence.

The hearings did not alter the Bank's view. But its deliberations took all afternoon: the assessment had to be finely reasoned because of the legal implications. There was also the question of where the safety net should actually be pitched. The Bank's feeling was that, to have the desired confidence-building effect on the market, it should be pitched fairly high. So it settled on a formula which assumed that BP shares were still at their pre-crash level, and then scaled the price down in line with their subsequent fall. This produced a safety net price of 90p, which compared with the part-paid issue price of 120p and a likely price when dealings started of 70p-80p. In other words, if this plan went ahead, the Bank would end up with most of the shares itself.

Shortly before 6pm, the Bank faxed its five-page assessment across to the Treasury and Rothschild with the pledge that it "would be willing if called upon by HM Treasury to make available the resources of the Issue Department for this purpose [funding the safety net]".

Nigel Lawson, the Chancellor, was becoming impatient. The Bank was supposed to have completed its assessment by 4pm, and he was due to announce his decision to the Commons that evening. But he read the fax with some relief. He had already decided that a safety net was the only way out of his dilemma, and his worst fear — that the Bank would recommend terminating the issue — had not been fulfilled.

However, he did not agree with the Bank on one point: the level of the safety net. He believed that the market was capable of — and should — take more of the strain. So he decided to pitch it lower, at 70p, a level which he believed would underpin the market but leave the shares in the underwriters' rather than the Bank's hands.

This also satisfied BP's wishes. Once it had become clear to Sir Peter Walters, BP's chairman, that the Treasury was determined to press ahead with the sale, his main concern was with protecting the after-market. Along with his advisers at Warburg, he and his colleagues had accepted the safety net idea. They also wanted it pitched low so that the shares would find a natural level in the market. Besides, if it was pitched too high, the Bank would end up as the company's major shareholder, which would destroy the whole point of the sale, which was to get BP out of state ownership.

Lawson informed Mrs Thatcher of his decision. Shortly afterwards, at 8pm, the Governor, his deputy and other Bank officials arrived to hammer out the details, and by 10pm the plan was ready to be announced to an expectant world. Flanked by the Prime Minister and most of the Cabinet, Lawson appeared on the floor of the Commons and ended the stock markets' uncertainties. "I wish to announce my decision to the House. It is that the offer should proceed." Compared to his nervous performance a couple of days before, he was in a confident mood. "During this experience we have seen the much greater soundness of the City of London compared with other financial cities," he declared. Opposition MPs mounted the expected attack, but Lawson dismissed them with the taunt that "they do not understand a thing that they are talking about."

The news was a blow to the underwriters: they would now have to take their losses, and some of them doubted that the safety net would even work. But they cannot have been surprised by the outcome.

For the foreign underwriters, there was also the question whether the net applied to shares sold outside the UK (it did). These sorts of details had to be sorted out overnight in time for the start of dealing in the new issue the next morning. There was a party going on at Warburg that evening, and some of the underwriters turned up. A Japanese banker was offered a large whisky. "Not enough," he said, indicating that he wanted a full glass. He downed the liquor, and released a fortnight's pent-up tensions with a long hiss. Most people felt that way.

Next morning, the new BP shares opened at 88p and traded heavily, closing slightly down at 85p, or 35p below the part-paid price, leaving the underwriters with a loss of £750m. This was less than once feared, but it still wiped out the entire profits made by City underwriters from all previous privatisations. The most pathetic victims were the 270,000 private individuals who had applied for a total of 17.7m shares and now found themselves £6m the poorer. Whether innocent, gullible or plain foolish, they were the object of some fascination in the City where, it was joked, salesmen were scrambling for a list of their names.

For both the Bank and the Treasury, the outcome was marred by the eruption of an unseemly dispute over who deserved the credit for the safety net idea — a trivial matter considering the issues at stake. The supposed row jangled in the TV and newspaper headlines over the weekend. But what the media failed to spot was that Sir George Blunden of the Bank and Sir Peter Middleton of the Treasury had an amicable lunch together at the Reform Club on Monday. Officially, it is now put about that both sides had thought of the safety net separately. "We were very pleased by this evidence of how closely we think," says Sir George.

In fact, there was nothing particularly original about the safety net: it was one of many ideas that had been tossed around, including making an issue of gilt-edged stock which could be converted into BP shares once the markets settled down.

Though the shares were now sold, there remained one considerable task — collecting in the money. This is officially the job of the underwriters who guarantee payment to the issuer. But in practice it is done by the brokers who actually place the shares with the sub-underwriters. There was some concern at Rothschild about payment; not only was the BP issue extraordinarily big, but there were doubts as to whether some of the institutions who had promised to buy shares would be able to pay because of the huge losses they had suffered in the market crash. These fears were particularly strong in places like Hong Kong and Australia which had been worst hit.

Richardson summoned a special meeting at Rothschild on November 3, the day on which the Treasury was due to receive the proceeds from the sale at 3pm. The 17 underwriters gathered there at 1pm, with the three brokers to the issue, Rowe & Pitman, Wood Mackenzie and Hoare Govett. The sum they had to come up with was just over £1.1bn, which represented the part-paid portion for which the UK underwriters were responsible. It was unlikely, in fact, that all three brokers would have collected all their money, but it was expected that they would nevertheless produce a cheque and make up any deficiency themselves.

Both Rowe & Pitman and Wood Mackenzie handed over cheques for about £300m each, as required. But when it came to Hoare Govett, their representatives turned out to have arrived empty-handed. This discovery caused great consternation.

Hoare Govett was supposed to contribute £600m, but it had difficulty assembling the money, much of which was due from precisely the part of the world everyone was worried about: the Pacific region. That morning the firm had calculated that it would be about £150m short and had budgeted to finance that amount itself. But by midday, the shortfall was much bigger: £250m. The firm still hoped to have all the money by the end of the day, but this meant that its staff had to go to Rothschild without a bankers draft.

Richardson was hard put to preserve his famous composure, and threats were made that this lapse would result in Hoare being cut out of future City business. But by now the 3pm deadline was approaching, and it was obvious that the Government was not going to get its money on time. Richardson had to explain to the Treasury representatives what had happened and seek an extension — which he got, for an hour. More phone calls buzzed between Rothschild and Hoare, where key personnel were out at lunch, a fact which added to the furore. "There were a lot of grey gills at that meeting," recalls one person who was in attendance.

Eventually, the right people were located, and Hoare managed to gather together the money. A special draft was drawn on a nearby branch of the Midland Bank, and hurried round to National Westminster, the receiving bank, just after 4pm.

The deal was done, but it had entailed some last minute redrafting of the underwriting agreement to ensure that the Treasury not only got the full amount due then, but also the two subsequent instalments over the next two years. Although Hoare was not legally obliged to make up the shortfall (that was the underwriters' responsibility) it had stumbled on its moral obligations, and that was enough to blot its copy book badly with the Treasury and the rest of the City.

It was the very next day, November 4, that the first suggestions began to creep into the market that the whole BP saga might have a totally unexpected outcome. Someone was buying large quantities of BP shares — and it had nothing to do with the Bank of England's safety net. The mystery buyer was quickly identified as the Kuwait Investment Office, the channel through which the oil-rich country makes its foreign investments. The purchases accelerated and on November 18 the KIO declared its hand: it held 10 per cent, having paid a few pence higher than the 70p safety net. Over the subsequent weeks, the stake rose to 21 per cent in the biggest market raid the UK had ever seen.

It was ironic in too many ways. All the agonising over termination, *force majeure* and the safety net, all the political wrangling and the financial losses, all the good intentions to widen BP's shareholder base — all this, it seemed, had been undone by the surreptitious manoeuvrings of a small and distant sheikhdom.

Yet, it was not altogether a surprise. BP and its advisers had been worried all along about the danger of dumping billions of unwanted shares on the market; it was an invitation to predatory attack. It took the UK another 10 months of delicate negotiation and eventually outright demand to unscramble this new problem. Finally, after an official inquiry, the KIO was ordered to halve its stake to 10 per cent.

Everyone who was connected with the BP issue would rather forget it now. It was embarrassing, costly and painful, and the best that can be said of those involved is that they handled an appalling situation reasonably well.

Even with its reduced KIO shareholding, BP will carry the scars of the affair, and be left with a nagging political and commercial worry. This only reinforces BP's view that the issue should have been pulled immediately. For the world at large it shows that even the biggest beasts are not safe in the market jungle. Lesser victims include Wood Gundy and Hoare Govett whose ownership both changed as the result of the losses sustained during the crash.

Rothschild emerged from it all with its reputation relatively unharmed. Richardson was judged by the majority of his colleagues to have done his best to wrestle a consensus out of his deeply divided underwriting team, though the tributes are grudging, and some felt his methods were a bit devious. But he was serving two masters, and he tested the patience of both of them.

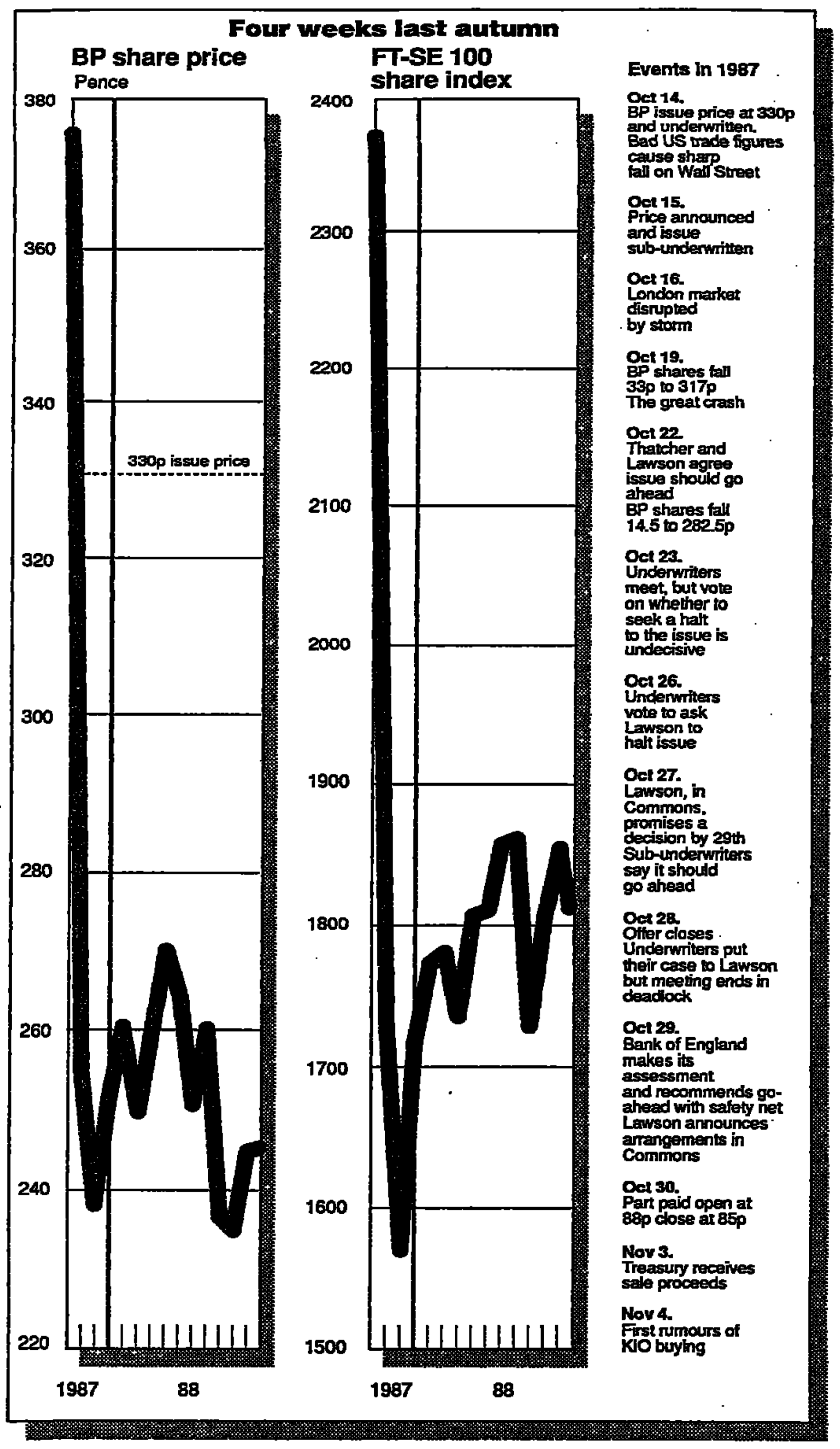
Richardson acknowledges that there was a conflict between his firm's role as government adviser and that of chief underwriter. "I guess we were put into an impossible position, but we feel we did as good a job as we could in the circumstances." This ambiguity was particularly irksome to the Treasury, which has now decided that the roles of adviser and underwriter should be split in future privatisations.

Some of the lessons from BP were technical. The problems suffered by the foreign underwriters show that greater account must be taken of the differences between UK and overseas underwriting practices. The Wall Street underwriters were fully exposed to the BP issue, but had no right to ask that it be halted.

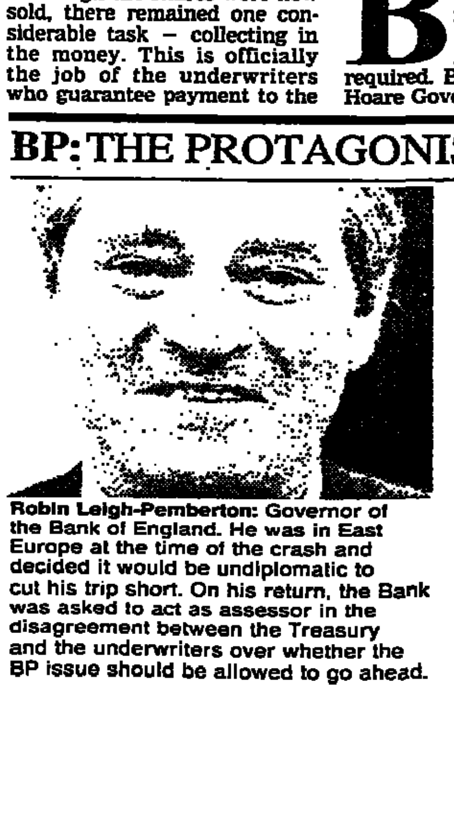
The *force majeure* clause also needs to be better defined, particularly to clarify whether it includes sharp market movements, and if so of what magnitude. Some underwriters have suggested that it should contain a termination trigger, for instance, if the market falls by a given percentage. Also, the right to declare *force majeure* traditionally belongs to the underwriters rather than the issuer, and many people in the City say it is wrong for the Treasury to keep it for itself.

Curiously, though, none of these obvious failings have been corrected for the next big privatisation, British Steel — in which Rothschild is, again, to be lead underwriter. If anything, the right of underwriters to seek termination has been limited even further: there is to be no appeal to the Bank of England. But the fact that UK and foreign underwriters are just as keen to sign up for British Steel as they were for BP suggests that their appetite for profit and glory was little blunted by the horrors of BP.

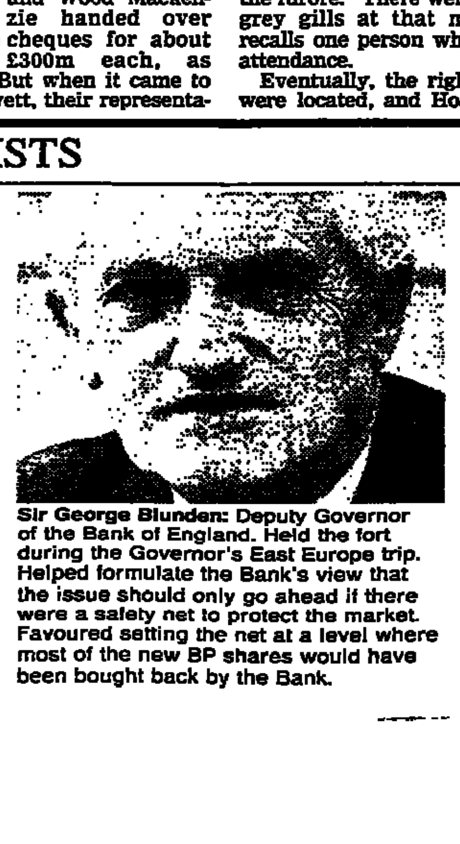
If memories are that short, underwriters may deserve everything they get. But a year later, the passage of time has cast a changing light over the story of BP. The threat of the imminent collapse of civilisation — so dire at the time — has receded. In its place, the resilience of the stock markets and the world economy have instilled a much more robust mood. This has tilted judgments in favour of those who, for their various reasons, believed that the issue should go ahead, and that the markets should take the strain. By the same token, the underwriters' fears of disaster look exaggerated, and their request for termination strongly self-interested. There is some irony in this: underwriters are supposed to be the best judges of market risk. But it would be unfair to suggest that their concerns were not genuine. One of them comments: "In the light of what we then knew, no one could say that the world financial system was secure by the time we came to the vote."



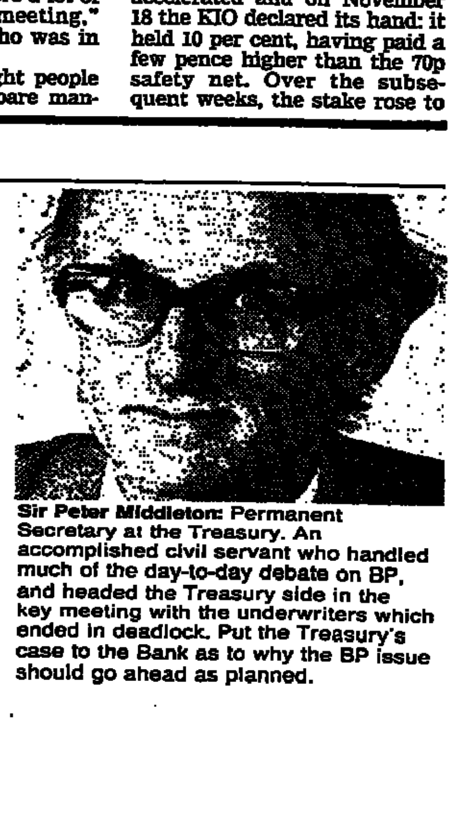
BP: THE PROTAGONISTS



Robin Leigh-Pemberton: Governor of the Bank of England. He was in East Europe at the time of the crash and decided it would be undiplomatic to cut his trip short. On his return, the Bank was asked to act as assessor in the disagreement between the Treasury and the underwriters over whether the BP issue should be allowed to go ahead.



Sir George Blunden: Deputy Governor of the Bank of England. Held the fort during the Governor's East Europe trip. Helped formulate the Bank's view that the issue should only go ahead if there were a safety net to protect the market. Favoured setting the net at a level where most of the new BP shares would have been bought back by the Bank.



Sir Peter Middleton: Permanent Secretary at the Treasury. An accomplished civil servant who handled much of the day-to-day debate on BP, and headed the Treasury side in the key meeting with the underwriters which ended in deadlock. Put the Treasury's case to the Bank as to why the BP issue should go ahead as planned.

FT LAW REPORTS

Shipping line on course for favourable judgment

TURNER v MANX LINE LTD
Queen's Bench Division (Commercial Court): Mr Justice Hirst: November 15 1988

INSURANCE under an ITCHPR policy covers the assured's liability for damage caused to a harbour by his operation of the insured vessel, and is not limited to strict liability arising out of his proprietary interest.

Mr Justice Hirst so held when giving judgment for the defendant assured, Manx Line Ltd, on a claim by representative Lloyd's underwriter, Mr Colin Turner, for moneys recovered and retained by Manx Line in a connected claim under which the underwriters had subrogated rights.

HIS LORDSHIP said that Manx Line was lessee of a Linkspan, a floating roadway for the transport of vehicles from a roll-on roll-off car ferry from ship to shore.

It insured the Linkspan with the underwriters on a standard policy of marine hull insurance, incorporating the Institute Time Clauses Hulls-Port Risks (ITCHPR). The "vessel" insured was the Linkspan.

In August 1978 Manx Line entered into an agreement with the Isle of Man Harbour Board, under which Manx Line was granted permission to attach Linkspan to the Board's property at Victoria Pier, Douglas. By that agreement Manx Line accepted responsibility for "all loss or damage done to the Board's property" arising out of use and operation of the Linkspan.

On November 30 1978, in heavy weather, the Linkspan broke away from its shore anchorage and capsized. It caused £660,000 damage to itself and £850,000 to neighbouring jetties and other Harbour Board property.

The underwriters accepted liability to indemnify the Harbour Board. It paid the Board £828,619.

Manx Line, the Harbour Board and the lessors of the Linkspan sued its manufacturers on the grounds of defect in design, manufacture and installation. The claim was settled by a payment by the manufacturers.

The shortfall between the settlement monies and the claim for damage to the Harbour Board's property was £369,592.

Manx Line retained £393,718 out of the monies otherwise due to the underwriters under their subrogation rights in respect of other parts of the claim against the manufacturers. The sum was placed in an interest-bearing escrow account.

It had been agreed that if the underwriters were successful in the present proceedings they should be entitled to the full sum in the escrow account, in full satisfaction of their claim; and that if Manx Line was successful it would receive 93.8 per cent, and the balance would be paid to the underwriters.

The ITCHPR policy, by clause 3, covered an assured "if by reason of interest in the vessel" he became liable to pay in respect of "(i) loss of or damage to any other vessel or goods . . . caused proximately . . . by the vessel insured . . . ; (ii)loss of or damage to any goods . . . whether on board the insured vessel or not . . . (iii)loss of or damage to any harbour . . . jetty . . . ;(iv)any attempted or actual raising . . . of the wreck of the insured vessel . . . ;(v)loss of life . . . ; (vi)any sum . . . for which the assured may become liable . . . recoverable from . . . the United Kingdom Mutual Steamship Assurance Association Ltd".

The underwriters contended that the critical phrase, "if by reason of interest in the vessel", limited the operation of the whole of clause 3 to cases where the assured's *proprietary* interest in the vessel was a legally essential element of his liability, ie where he was strictly liable as owner or lessee. They said that as the words "by reason of" were words of causation, the assured's interest in the vessel must be the cause of his becoming liable, not merely the occasion for it. Consequently the present claim was not within clause 3.

Manx Line's argument was that while the words "by reason of" were words of causation importing a limitation, they did not and could not bear the restricted meaning placed on them by the underwriters, and connoted no more than that the liability arose from the assured's *operational* interest in the vessel. It said liability to the Harbour Board plainly arose by reason of Manx Line's operational interest in the vessel, in that it arose from the damage caused by the Linkspan itself breaking away from its moorings. Consequently the claim fell within clause 3.

Mr Sumption for the underwriters submitted that there were two distinct legal bases on which a shipowner might incur liability — first as owner or lessee, which was strict liability, and secondly as operator, which was generally on the basis of breach of duty such as negligence. In the latter case ownership provided the occasion for liability but not the cause. He said that "interest" on its proper construction bore a technical legal meaning connoting proprietary interest. He cited *McDermid v Nash [1987] AC 906* where Lord Brandon said that "any person interested in . . . the ship" in section 3(1) of the Merchant Shipping (Liability of Shipowners and Others) Act 1958 meant "a person having a legal or equitable interest in the ship".

He submitted that most of the six sub-clauses to clause 3 corresponded to *familiar* heads of liability imposed in England by operation of law on the owner as such generally (but not invariably) irrespective of fault, and that insofar as any specified heads of liability fell outside that test, it was intended to cover strict liability under international Conventions or foreign law.

Mr Diamond submitted that liability arising in connection with a ship, apart from a few statutory exceptions, did not usually require the person sued to have a proprietary interest in the vessel; and that "interest" in the critical phrase should in its proper context not be construed as connoting a proprietary interest. On the contrary, on a fair construction in the context, including the detailed provisions of sub-clauses (i)to(vi), it meant no more than an operational interest.

Mr Sumption's approach was strained and artificial. Mr Diamond's approach was preferred.

The clauses were expressly titled and described as referring to "Hull Port Risks". They were specifically geared to port risks, and it would thus be bizarre for the draftsman to concentrate, as Mr Sumption suggested, on foreign risks and liabilities.

The clauses bore all the hallmarks of English Common Law liability for breach of duty, and if the draftsman really intended to focus on strict statutory liability of owners, whether under English law, foreign domestic law, or international Convention, such an intention was so deeply buried in the actual wording as to be completely undetectable.

The detailed provisions of the six sub-clauses were strikingly inapt to fulfil the purpose suggested by Mr Sumption.

Since the critical phrase had to be interpreted in its context, that conclusion told strongly against construing it as restricting the clause as a whole to liability derived from the owners' proprietary interests.

In some contexts "interest" would undoutedly be interpreted as connoting a proprietary interest, as in *McDermid*. But "interest" was by no means exclusively limited to a proprietary interest. In the appropriate context an interest could equally well be, for example, commercial, philanthropic, or connected with family, local or political ties.

In the present case, to interpret "interest" in its context as connoting an operational interest in the Linkspan, was fully in harmony with the wording of the clause as a whole, and in particular with the detailed provisions of the six sub-clauses, while at the same time truly constituting a limitation: thus if all the assured could show was that liability stemmed from an operational interest in another vessel (for example as a result of damage caused by one of its ferries as it lay alongside the Linkspan) or in other plant and equipment (for example one of its vehicles while being driven on to the Linkspan), a claim under the policy would fail as lacking the necessary qualification.

Therefore the damage caused to the Harbour Board's property in the present case clearly occurred by reason of Manx Line's interest (properly construed) in the Linkspan, seeing that it was caused by the Linkspan itself.

Manx Line's liability to the Harbour Board fell fairly and squarely within clause 3 of the ITCHPR, and there would be judgment for Manx Line in the agreed sum.

For Mr Turner: Jonathan Gaisman QC and Jeffrey Gruder (Ince & Co)

For Manx Line: Anthony Diamond QC and Simon Crookenden (Holman Fenwick & Willan)

Rachel Davies
Barrister

MANAGEMENT

Expatriates in South Korea

A path through the maze of cultural understanding

Maggie Ford examines why foreign managers often fall foul of a communications gap with employees and explains how they can take avoiding action

Strikes — and demonstrations — have been a feature of industrial life for almost all South Korean companies, including multinational joint manufacturing ventures, since the move towards industrial democracy last year. But in most of the joint venture companies the local partner has handled negotiations.

It is in the smaller foreign branch offices, such as banks, securities firms, trading companies and some manufacturing concerns that the foreign managers have experienced difficulties.

Perhaps the most dramatic arose during a strike at Westpac, the Australian bank, where employees were were so outraged that they held demonstrations outside the Australian Embassy. The trade union's cause was taken up by the local press and public protests swelled when the manager was accused of damaging national pride. Alarm bells rang among other foreign businessmen when the bank's head office sent in officials from Sydney to settle the acrimonious dispute on terms close to the union's claim. Subsequently the original manager was replaced.

Since then, after another dispute, the manager of the local Banque Nationale de Paris branch has also been transferred.

The behaviour of the French Ambassador to Seoul, according to the unofficial trade union at his embassy, is "like an Exocet missile pointed at the heart of Korean human rights."

Tough words for a dispute centring basically on wages, conditions and career opportunities, like most in South Korea. But as the premature departure for home this year of two foreign bank managers shows, pay negotiations in this politically transitional country can be not only heated, but downright threatening to the expatriate.

Expatriate managers trying to avoid sticky situations can find themselves hamstrung in numerous ways. They include:

- A serious communication gap between foreign management and staff who are trade union members and normally predominantly young.
- An end to the "guidance" usually received from the government, the bureaucracy and the law over labour matters, as the country moves towards democracy.
- A lack of uniformity between management of different companies from different countries, resulting in widely varying settlements in the same field, and the fear of leap-frogging pay claims.
- Either a total lack of experience in negotiation on the part of managers or a tendency to see pay bargaining in Western style confrontational terms. Symbolic strike approaches by Korean staff, such as sticking up wall posters, wearing headbands and singing songs have tended to reinforce this feeling.
- Misunderstandings about both the attitude of local staff and the new political environment by local foreign managers and their head offices.
- In some cases, a management approach that has been seen as insensitive, patronising and sometimes even racist.

It is easy to understand how a combination of these problems in one office could add up to a "political minefield" as one banker puts it. Flexibility, caution and a sincere, progressive attitude are needed to find solutions, he says.

The first piece of advice for any foreign manager might be to seek to narrow the communication gap. Most expatriates have senior Korean staff who are their main source of information on business matters. While many such managers are very skilled, they often belong to the older generation and may have different views from youthful employees in the union. It can, therefore, be helpful to expatriates to listen to more diverse opinions.

Although the younger people have been working for years in South Korea's very authoritarian environment, they do not appear to be followers of the works of Karl Marx. Most are university graduates, some having foreign degrees, and they are certainly strong advocates of democracy. They also seem also to be ambitious, loyal to their company if it treats them well, and keen to be regarded as international businessmen on the same level as those of any other country.

Especially in the financial area, they see no reason why they should not eventually compete for international jobs like executives from Japan or Singapore. Therein, of course, lies the problem. For as the well educated young South Korean businessman or woman knows, the country's isolation has reduced opportunities for experience and training in the wider world.

"There is a limit to what I can learn from books," says one young Korean executive of a foreign bank. "I'm keen to take any training I can get. But the company doesn't seem to want to include us in its international business."

Apart from offering career development and a better feeling of company identification, managers wanting harmonious labour relations might also consider a more innovative approach to pay and benefits than the simple percentage wage increase.

Many foreign companies have found that unions often want a pay deal which benefits the lower paid, with part of the cash paid at a flat rate, and that they view merit pay with suspicion, usually because they feel that favouritism has led to abuse in the past.

This attitude frequently clashes with company policy in head office. A way round the problem may be to tailor the pay package so that it more clearly reflects the realities of Korean life.

Many expatriates' first knowledge of these realities comes with a distraught telephone call from an employee's wife urgently requiring, say, $20,000 in cash, now. Perhaps her husband has been involved in a car accident and must pay compensation to the injured immediately or be charged with a criminal offence. Perhaps his mother has had a heart attack and the money is needed for the hospital before she can be treated. Perhaps the sums are required rapidly as a bridging loan for the purchase of a scarce flat.

South Korea's primitive financial system, offering neither consumer loans nor mortgages, and its lack of a comprehensive medical or pension scheme, means that staff will often value benefits such as a car, housing or education loans, or non-taxable expenses like petrol, entertainment or sports club fees.

Young employees say that as prosperity rises in the future, reductions in hours and longer holidays will also be attractive benefits; flexibility on holiday periods may also be welcomed, especially by those female staff who are not so ambitious. Career-oriented women value equal opportunities.

Those expatriates who have found themselves in confrontation with their staff, according to both foreign managers and local staff, have usually been men who failed to understand the substantial political and social change that is taking place in South Korea.

Where the Government would once suppress trade unions and impose pay settlements, both sides are now expected to reach agreement without interference from the authorities. Where foreign businessmen, essential for the country's development, were previously accorded certain privileges over local people, a more egalitarian spirit now prevails.

Labour law, which was formulated in pre-democratic times, cannot now be invoked by management with any confidence — as even the French Ambassador has found. US companies, in particular, must now take account of widespread anti-American feeling in the country.

Young South Korean professionals appear to be particularly angered by those expatriates who have lived in the country for years, but who have failed to adjust to its moves towards democracy and its economic prowess.

Reflecting the nationwide feeling that the country has emerged from underdevelopment and dependency on other countries, symbolised by the successful hosting of the Olympic Games, they feel that they should be treated with politeness, in a co-operative, sincere working relationship.

Hardline management attitudes are deplored in the country as a whole. In the case of foreigners, they are seen as especially arrogant and, in extreme cases, even racist.

Some companies, it seems, have begun to get the message. A young South Korean financial executive, sent on a training course to Hong Kong, was delighted to be invited by the company to go sailing at the weekend on a junk in the harbour.

Although surprised to be the only non-European on the boat, he valued the invitation and the opportunity to expand his financial knowledge. His contemporaries will hope that such attitudes will become a trend.

Suddenly, it's all becoming blurred

Michael Skapinker on a new catchphrase

Most managers are familiar with MBO — management by objectives. Some practice MBWA — management by walking around. But how many have heard of BBM?

BBM is Blurred Boundary Management. The boundaries in question are those between the traditional corporate functions, such as marketing, finance and personnel, as well as those between different national markets.

Many recognise that those divisions are now breaking down and that the successful manager of the future will be the one who can operate across both functional and national borders. But how many managers are really equipped to face the challenge of BBM? And what can be done to prepare them for a future with fewer frontiers?

Tex Smiley, of the International Management Institute in Geneva, is the man who coined the BBM phrase. He believes that human resources departments have a crucial role to play in developing blurred boundary managers.

"I believe that over the next few years, the human resources function is going to take on a very different role," he says. Many of its traditional tasks, such as performance appraisal, will be delegated to line management.

"I think we will see the people in the human resources function becoming specialised advisers to top managers. They will become talent-hunters: they'll be going through the organisation looking for those people who could become senior executives."

Smiley believes that managers in the human resources department will also become "roadblock removers", attempting to overcome those corporate rules or routines which serve as obstacles to inter-departmental and international collaboration.

But isn't this process already under way in many companies? Aren't routine personnel tasks already being handled by line managers and aren't human resources departments now manned by substantially fewer people?

"We talk about it all the time, and if you go into some companies you'll hear them say they're doing it. But you'll still see the same rigid personnel functions," Smiley says.

The human resources function is often seen as the guardian of rigid corporate rules. If personnel officers listen to line managers, "they will hear the criticism that if any part of the corporation needs new modes of management thought and behaviour, it is their own function."

One of the problems, in Smiley's view, is that organisations tend to view the uncertainties resulting from crumbling barriers with anxiety. Because little can be done to control the external environment, organisations attempt to control the internal environment instead.

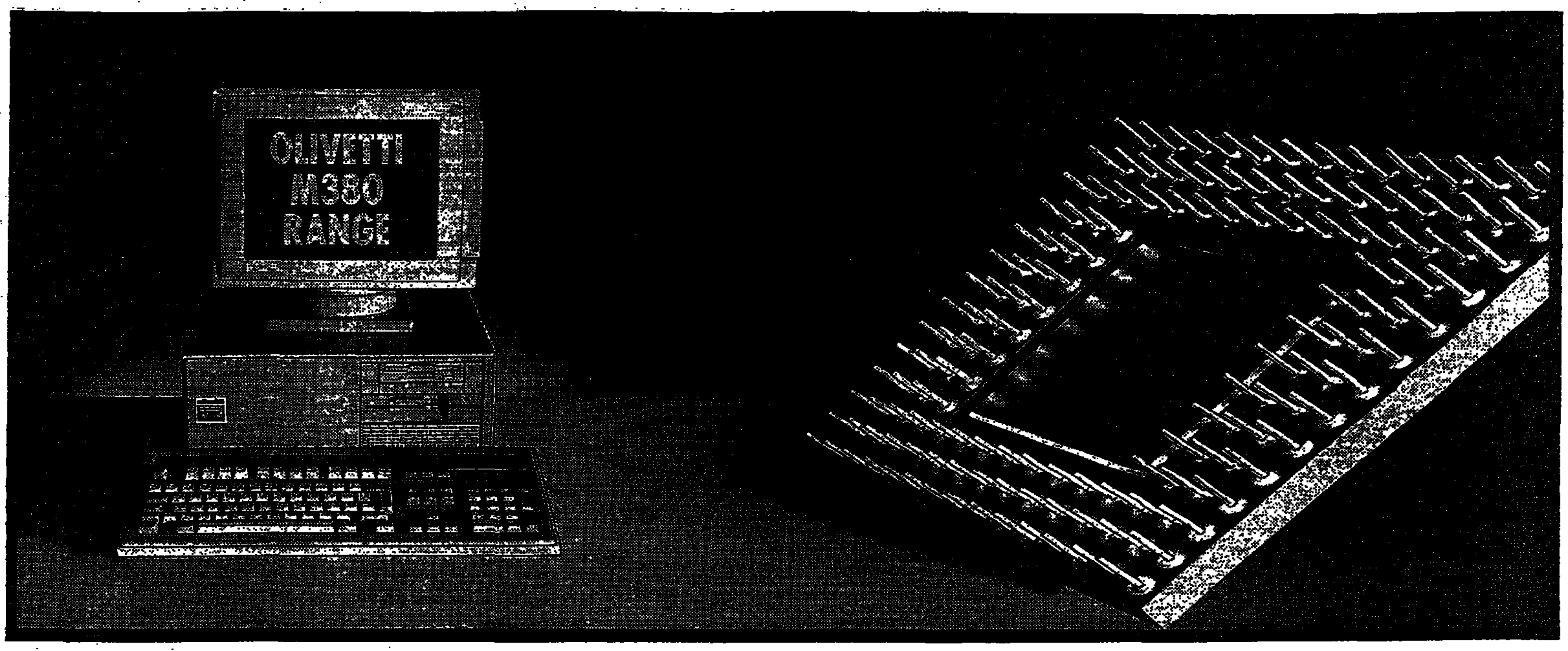
Rigid hierarchical structures are created which hinder co-operation between the organisation's constituent parts. BBM, far from being an ideal, "is a punishable act in a highly structured organisation," Smiley says.

Despite its poor reputation in many companies, the human resources department is, in Smiley's view, ideally placed to become the champion of BBM.

The key is their responsibility for management development. "The power in the hands of the human resources people is tremendous," Smiley says. "They decide what education will be given. They decide what's on the programme. Managers need to be able to think differently and they can help managers learn a different thought process."

As an example of what can be done, Smiley points to one of IMI's programmes. Instead of being given a case study on a company, managers on the five-week course are given access to a range of information about the organisation, held on a computer. It is up to them to decide which bits of the information provided are important. "The information does exist but it's not predigested by the case writer," he says.

Traditional case studies encourage learners to come up with the best answer. Management development programmes, Smiley argues, need to focus instead on whether managers are asking the right questions.



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OPERA AND BALLET

London

Royal Opera, Covent Garden. Massenet's Manon, which made a disastrous return to the Royal Opera repertory last year, gets a new production, by John Cox, in the 1987 designs, by Peter Rice. Leontina Vaduva, David Rendall, François Le Roux, and Donald McIntyre take leading roles, and the conductor is Michel Plasson. Further performances of the beautiful Nuria Espert production of Madama Butterfly.

Paris

Opéra. Notre-Dame de Paris, a 2-act ballet by Roland Petit inspired by Victor Hugo to Maurice Jarre's music with the Paris Opéra choir. Costumes by Yves Saint-Laurent (47425371).

Brussels

Cirque Royal. Ballet du Nord (France) in Coppelia, choreography by Alfonso Cata (Sun) (218.2015).

Vienna

State Opera. Performances this week include: Tannhäuser conducted by Giuseppe Sinopoli, with Jessye Norman, Waltraud Meier, Kurt Rydl and Richard Versalle; Attila conducted by Sir Charles Mackerras with Mara Zampieri, Ruggero Raimondi, Giorgio Zancanaro; Der Rosenkavalier conducted by Ulf Schirmer. Der fliegende Holländer conducted by Peter Schneider. Die Zauberflöte conducted by Nikolaus Harnoncourt.

Berlin

Deutsche Oper. Madame Butterfly is sung by Rabina Kabaivanska, Helga Wisniewska, Cornelio Morgu and Walton Grönroos. Götterdämmerung in Götz Friedrich's production stars Gwyneth Jones (Brunnhilde), Eva Johansson (Gutrune), Hanna Schwarz (Waltraute), Toni Kramer (Siegfried) and Matti Salminen (Hagen). Zar und Zimmermann is a well done repertoire performance. Also offered Roland Petit's ballet Notre-Dame de Paris, with costumes by Yves Saint-Laurent.

Frankfurt

Opera. Tom Fox has the title role in Jurgen Gosch's production of Le Nozze di Figaro. Fidelio is well performed by Hermann Winkler, Luana de Vol. Also offered Il Barbiere di Siviglia and Rigoletto.

Rome

Teatro dell'Opera. Season opens with Filippo Sanjust's production of Donizetti's Poliuto, last performed in Italy at La Scala in 1960, with Maria Callas.

Florence

Teatro Communale. Tchaikovsky's Nutcracker (choreogrphy by Evgheni Polyakov) danced by the splendid Elisabetta Terabust, with Eric Vu-an, conducted by Evgheni v. Kolobov (Sat and Sun) (2779236).

Turin

Opera. Sylvano Bussotti's production of Ponchielli's La Gioconda, conducted by Nello Santi. (Sat, Tues, Thur) (548.000).

New York

Metropolitan Opera, Lincoln Center. Performances of Madama Butterfly continue, conducted by Myung Whun Chung. Kathleen Battle returns as Rosina in Il Barbiere di Siviglia. Alicia Nafe sings Carmen with Gary *Lakes as Don Jose in Paul Mills's* staging conducted by Placido Domingo (362 6000).

Washington

Washington Opera, Opera House, Kennedy Center. Nelly Miricioiu takes the role of Violetta Valery in John Copley's production of La Traviata. Placido Domingo continues as Mario Cavaradossi in Tosca in Gian Carlo Menotti's production. (254 3770).

Chicago

Lyric Opera. Civic Opera House. Ingvar Wixell has the title role in Jean Pierre Ponnelle's production of Falstaff, which features Marilyn Horne as Dame Quickly, Jerry Hadley as Fenton and Wolfgang Brendel as Ford, with James Conlon conducting. Samuel Ramey takes the title role as Don Giovanni in Jean Pierre Ponnelle's Production conducted by Semyon Bychkov. With Carol Vaness as Donna Anna and Karita Mattila as Donna Elvira (332 2244).

Tokyo

Bayerische Staatsoper from Munich, conducted by Wolfgang Sawallisch. Don Giovanni with Thomas Allen, Kurt Moll, Anna Tomowa-Sintow, Peter Seiffert (Tues). Die Meistersinger with Hermann Prey, Lucia Popp, Peter Schreier, Kurt Moll (Wed), Arabella with Lucia Popp, Anna Tomowa-Sintow, Thomas Allen (Thurs) (289 9999).

MUSIC

London

London Philharmonic Orchestra conducted by Serge Baudo with Philip Fowke (piano). Chabrier, Ravel, Milhaud, and Bizet. Royal Festival Hall (Fri) (928 8800).
Halle Orchestra, conducted by Stanislaw Skrowaczewski, with André Watts (piano). Barbican Hall (Fri) (638 8891).
Royal Philharmonic Orchestra, conducted by Yuri Temirkanov, with Natalia Gutman (cello). Tchaikovsky. Royal Festival Hall (Sun) (928 8800).
London Symphony Orchestra, conducted by Mstislav Rostropovich. Shostakovich. Barbican Hall (Thurs) (928 8800).

Paris

Orchestre Cologne conducted by Pierre Dervaux, with Tedi Papavrami (violin). Pierne, Mendelssohn, Mussorsky/Ravel. (Mon) Salle Pleyel (45638873).
Quatuor Alban Berg: Beethoven. Théâtre des Champs Elysées (Mon) (47203088).

Brussels

RTBF Vocal Ensemble conducted by Guy van Waas with Dirk Snellings (bass). Bach. Maison de la Radio (Fri) (5114921).
Daniel Blumenthal (piano), Diane Anderssen (piano) Chabrier Messager/Fauré. Théâtre Royal de la Monnaie (Fri).
Cecilia Gasdia, soprano recital with Marcello Guerrini (piano). Mozart, Rossini, Donizetti, Catalani, Verdi. Theatre Royal de la Monnaie (Sun).

Bonn

London Symphony Orchestra under Mstislaw Rostropowitch, Beethoven, Shostakovich. Beethovenhalle (Tues).

Munich

Orchestre de Paris, under Daniel Barenboim. Debussy, La Mer. Philharmonie im Gasteig (Sun).
Kracow Philharmonie and Trio Fontenay. Philharmonie im Gasteig (Tues).

Frankfurt

Nana Mouskouri, Alter Oper (Fri).
London Symphony Orchestra conducted by Mstislaw Rostropovich. Beethoven, Shostakovich. Alter Oper (Sun).

Cologne

Gurzenich Orchestra conducted by Marek Janowski. Siegfried, a concert version, with William Johns (Siegfried), John del Carlo (Wanderer), Ute Vinzing (Brünnhilde), Graham Clark (Mime), Hartmut Welker (Alberich), Matthias Holle (Fafner), Anne Gjevang (Erda), Teresa Ringholz (Waldvogel). Philharmonie (Sun).

Berlin

Orchestre de Paris with pianist and conductor Daniel Barenboim. Debussy, Schönberg and Berio. Philharmonie.
Berlin Philharmonic Orchestra conducted by James Levine, with Anne - Sofie von Otter, James Morris, Philip Langridge and the Rias Chamber Choir. Berlioz. Philharmonie (Mon).

Amsterdam

Royal Conservatory Symphony Orchestra, Rienbert de Leeuw conducting the Cage (Tue).
Eugene Flemm (piano). Bach, Beethoven, Chopin. Concertgebouw (Wed) (718 345).

Rotterdam

Rotterdam Philharmonic with the winner of the Eduard Flipse piano competition, Roland Kieft conducting. Wagner, Mussorgsky. Doelen (Sat, Sun) (413 2490).

Utrecht

Bruno Leonardo Gelber (piano). Beethoven. Recital Hall (Mon).
Royal Conservatory Symphony Orchestra, conductor Reinbert de Leeuw. The Cage (Wed).
Eighteenth-Century Orchestra conducted by Frans Bruggen. Haydn, Mozart, Beethoven. Recital Hall (Thur).

Vienna

Live Electronic Workshop, Wien Modern Festival with Luigi Nono and Hans Peter Haller. Konzerthaus (Sat).
Wiener Philharmoniker conducted by Herbert von Karajan. Musikverein (Sun).
Wiener Sinfonietta conducted by Kurt Rapf with Robert Lehrbaumer (piano). Mozart, Schubert, Kratochwil, Hindemith, and Bartok. Musikverein (Sun).

Rome

Rai Symphony Orchestra conducted by Gabriele Ferro. Stravinsky, Beethoven. Auditorium at Foro Italico (Sat) (36.86.56.25).
International Comedians Karel de Rooy and Peter de Jong in mime. Teatro Olimpico (Wed) (393304).
Ermanno di Pasquale (piano). Beethoven, Schubert, Chopin. Andinger Bang Lund, in collaboration with Norwegian Embassy. Teatro Ghione via Delle Fornaci 37 (Thurs) (6372294).

Milan

Scala Philharmonic conducted by Riccardo Muti. Wagner, Liszt and Tchaikovsky. Teatro alla Scala (Mon) (80.91.26).

New York

New Music Ensemble conducted by Robert Black, with Christine Schadeberg (soprano). Schönberg, Harbison, Reynolds, Gideon. Merkin Concert Hall (Mon) (362 8719).
New York Philharmonic conducted by Leonard Bernstein, with Krystian Zimerman (piano). Bernstein, Ives, Del Tredici. Avery Fisher Hall, Lincoln Centre (Tue).
New York Philarmonic conducted by Leonard Bernstein, with Gideon Kremer (violin). Bernstein, Tchaikovsky. Avery Fisher Hall, Lincoln Center (Thur) (799 9595).
Cynthia Wuco soprano recital. Handel, Hahn, Reynaldo, Faure, Johnson. Juilliard Concerts at IBM Atrium (Wed. Mat, 12.30, free).

Washington

National Symphony Orchestra conducted by Hugh Wolff, with Emanuel Ax (piano). Beethoven, Adams, Ives. Concert Hall, Kennedy Center (Tue) (254 3776).

Chicago

Chicago Symphony Orchestra conducted by Zubin Mehta, with Marvis Martin (soprano), Maureen Forrester (contralto). Mahler. (Tue) Orchestra Hall.
Chicago Symphony Orchestra conducted by Zubin Mehta, with Pierre Laurent Aimard (piano). Messiaen. Orchestra Hall (Thur) (435 8122).

Tokyo

Bayerisches Staatsoper special concert conducted by Wolfgang Sawallisch, with Kurt Moll, Peter Schreier, Julia Varady, Gertrude Jahn. Beethoven. Missa Solemnis. Suntory Hall (Mon) (505 1001).
Japan Oratorio Association conducted by Hirofumi Misawa. Mozart Requiem. Tokyo Cathedral (Mon) ((824 7337).
Hermann Prey. Schubert, Die Winterreise. Suntory Hall (Wed) (505 1010).
Czech Philharmonic Orchestra conducted by Jiri Belohlavek. Mozart, Prokofiev, Dvorak. Suntory Hall (Thurs) (505 1010).

EXHIBITIONS

London

The Royal Academy. Henry Moore, a full retrospective exhibition to mark the 90th anniversary of the birth of one of the great artists and pre-eminent sculptor of the 20th century. Ends Dec 11.
The Royal Academy. Toulouse-Lautrec: The Graphic Works. A comprehensive selection principally of lithographs. Ends Jan 4.
The National Gallery. Rembrandt: Art in the Making. A small but highly informative study exhibition, prepared by the Gallery's technical department and centred on the major works by him in the collection, treating on Rembrandt's working methods and materials. Ends Jan 17.
The Tate Gallery. David Hockney: A Retrospective. London's main gallery of modern art offers a full study of the golden boy of British art at the age of 50. It concentrates on the painting rather than the graphic work of this most prolific of artists, who has enjoyed the most extraordinary popular success from the very start of his career, nearly 30 years ago. Ends January 8.
The Serpentine Gallery. Paula Rego. A succinct but impressive retrospective study of over 30 years' work by an artist who has emerged in the 1980s as one of the most significant and distinguished British figurative painters.

Paris

Louvre. Pavillon de Flore. Rembrandt and his school are on show in two exhibitions at the Louvre. 72 drawings constitute a panorama of Rembrandt's masterly work and can be compared with 54 drawings executed by his pupils. Entry from the Quai des Tuileries, opposite Pontroyal (42603926).
Galerie Daniel Malingue. Maîtres Impressionistes et Modernes. Vieira da Silva, with an image broken up in countless slate-grey squares, their perspective plunging ad infinitum, opens an exhibition strong in colour and rigour in design. Max Ernst, placing large shell-like flowers into geometrical surfaces in a gradation of greens, dominates the first room. A Matisse pen and ink drawing leads on to a striking Van Dongen nude set off by broad bands of intense yellow, red and blue. There is a sun-flooded painting of mother and child by Valtat and a bridge reflected in a river by Marquet. Landscapes in glowing colours by Renoir and Gauguin are contrasted by a fluffy snow scene with deer by Courbet. 26 ave Matignon (42666033). Closed Sun. Mon mornings and lunchtimes. Ends Dec 24.
Musée d'Orsay. Cézanne. The Early Years (1859-1872). The 63 paintings and 20 drawings and watercolours, already seen in London and on their way to *Washington, reveal a hitherto* neglected period of the artist's life. The young Cézanne, fascinated by Courbet, influenced by Delacroix, Daumier and Manet, a friend of Zola and an admirer of Wagner, expresses his genius in compositions full of violence and eroticism – with the painter always the *voyeur*. The execution is daring, with sombre colours wrought into the canvas by a broad palette knife. There are portraits and self-portraits, still lives and landscapes, all pioneering modern art. Closed Mondays. Ends Jan 1.
Picasso Museum. The 17th century Hotel Sale, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. 5 rue Thorgny. Closed Tuesdays.
Grand Palais. Seicento. Caravaggio's century in French collections. A dramatic production by Pier-Luigi Pizzi against a background of baroque music, some 170 paintings retrace the Italian school's triumphant progress from the end of Manierism to the flowering of full-blown baroque. Closed Tue, late closing night Wed (42.56.09.24). Ends Jan 2.
Centre Georges Pompidou. Gerard Garouste. Brushing aside the fashionable concepts of contemporary art, the painter claims with emphasis his right to describe and to please. Closed Tue (42.77.12.33). Ends Nov 25.
Chapelle de l'Ecole des Beaux Arts. From Dürer to Baselitz. Some 126 drawings lent by the Kunsthalle in Hamburg retrace the panorama of German graphic art. 14 rue Bonaparte (49.27.01.18). Ends Dec 31.

Brussels

Galerie Isy Brachot, 62A Avenue Louise. John De Andrea. Hyper-realist sculptures. Closed Mon. Ends Nov 26. 511.0525.
Musée d'Art Moderne, 1-2 Place Royale. The First Group of Laethem-St Martin 1899-1914. A tribute to the colony of Flemish artists whose stylised paintings of rural and religious themes were to inspire a later school of Flemish expressionists. Closed Mon. Ends Dec 31.
Musées Royaux d'Art et d'Histoire, Parc Cinquantenaire. China, Heaven and Earth, 5,000 years of Invention and Discovery. Instruments and artworks largely from collections in Belgium, *China and Britain which* illustrate Chinese innovations in science and technology. Closed Monday.
Musée d'Ixelles, 71 rue Jean van Volsem. Belgian Art Deco 1920-40. Daily 13-19.30. Sat and Sun 10-17.00. Closed Monday. Ends Dec 18.

Amsterdam

Sotheby's (Rokin 102). As part of the William and Mary tercentenary celebrations Sotheby's is showing a wide range of objects from the period – paintings, furniture, silver and Delft tulip vases. The centrepiece is a reconstruction of a 17th-century bedroom containing the royal bed after a design by William's chief architect and interior designer, Daniel Marot. Ends Nov 23.

Darmstadt

Hessisches Landesmuseum. Glassworks and paintings of the British artist Brian Clarke will be seen for the first time in Germany. He made his name with his lead glass windows, for the new Synagogue, opened this week in Darmstadt. With the blue and red coloured windows he symbolises the suffering and hopes of the Jews. Ends Jan 29.

Vienna

Secession The Austrian painter Walter Eckert is now on exhibition until November 20. Worth also seeing Gustav Klimt's famous Frieze.
Messepalast. Post-war Austrian sculptures include Alfred Hrdlicka, probably the country's most celebrated artist. His work along with several of his contemporaries are on display for several more weeks.
Hermes Villa. Portraits by the fin-de-siecle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.
Albertina. Drawings by Alfred *Hrdlicka, one of Austria's most* controversial artists who managed to divide public opinion on plans by the City of Vienna to build a memorial to those who fought in the resistance during the Second World War. Besides being wonderfully outspoken in a country which habitually prefers public consensus and runs shy of its more immediate past, Hrdlicka is best appreciated for his sculpture. He is at present finishing work on the memorial, which will be sited just across from the Albertina. Ends Nov 30.

Rome

Sala 1 (Piazza di Porta s. Giovanni 10). Roman Americans, a group show organised by artist and New York Times art critic Edith Schloss with works in varied styles, from Sollewitt's conceptual work (which makes full use of the extraordinary architecture of the gallery's interior set within the Aurelian walls) to Salvatore Meo's' Arte Povera and Cy Twombly's restrained abstract. Until Nov 30.

Venice

Museo Correr a la napoleonica: Giorgio de Chirico (1888-1978): a major retrospective organised jointly by the Galleria Nazionale d'Arte Moderna in Rome and the Giorgio de Chirico Foundation to celebrate the centenary of the painter's birth. On show are over 150 works from public and private collections, including the Metropolitan and Guggenheim in the USA, and the Pompidou in Paris, by a painter declared dead in the 1920s by Andre Breton, author of the surrealist manifesto, who disliked his change of style from metaphysical to poetic. Ends January 15.

Bologna

Pinacoteca Nazionale and Museo Archeologico. Guido Reni (1575-1642). A splendid collection of paintings by the Bolognese mannerist painter, the first to bring the concept of physical beauty into sacred art. His depictions of the Virgin Mary have looks and temperament which recall Thomas Hardy's tragic heroines. The paintings come from major Italian and foreign museums. Many have been restored for the occasion (such as the remarkable Massacre of the Innocents), and some have not been on public display for many years. The Triumph of Job had been hidden in belltower of Notre-Dame since 1797. Until Dec 8.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.
Metropolitan Museum. The first major Degas retrospective for over 50 years has 300 paintings, sculptures and drawings covering the artist's entire career and various interests, from early classical motifs and stiff portraits to the ballet studios and washerwomen that freed his imagination. Ends Jan 8.
New York Public Library. Two millennia of Hebrew books and illuminated manuscripts feature 185 rare and beautiful works, half from the library's own collection and half borrowed from abroad. Among the rarest *historic items are Dead Sea scrolls,* the 13th-century Xanten bible from Germany and the Nahum Commentary. Ends Jan 14.

Chicago

Art Institute. Paul Gauguin. The artist's first major retrospective for 30 years includes more than 230 objects and paintings from all the periods of his exotic and far-flung life. Ends Dec 11.

Washington

National Gallery. The largest show of Michelangelo's drawings ever mounted in the US illustrates all the principal phases of his artistic development, divided into sections on draughtsmanship and architecture. The nearly 100 drawings include studies of the Sistine Chapel ceiling and his two major architectural projects, the facade of the church of San Lorenzo in Florence and the drum and dome of St. Peter's Basilica in Rome. Ends Dec 11.
National Gallery. Seven Centuries of Japanese Art, as it evolved under the feudal *daimyo* lords is the subject of a major *exhibition of 450 specially designated* Japanese national treasures, including paintings, sculpture, swords, painted scrolls, ceramics, robes and lacquer. Ends Jan 23.

Tokyo

National Museum of Modern Art. Genealogy of Realism: oil paintings from the Meiji Era (1868-1912). Japan's first western-style art school opened in 1876 and artists soon grouped into followers of the Barbizon School, with its sombre devotion to peasant life, and of the more liberated palette of Impressionism. Both strands are well represented in this comprehensive exhibition. Closed Mondays.
National Museum of Western Art. Japonisme. A major exhibi*tion, seen earlier this year at* the Grand Palais in Paris, which explores the influence of Japan on the art of the West in the late 19th century. The exhibits range from the straightforward representation of Japanese objects, or an added exotic touch in a conventional portrait
Nerima Museum. Japanese Abstract Sculpture. Of all forms of contemporary Japanese art, *it is sculpture that has received* the most international attention and recognition. This exhibition focuses on the formative years of abstract sculpture from 1945 to 1960. Closed Tuesdays.
Teien Museum. Paintings by Leonard Fujita. Fujita (1886-1968) was one of the first Japanese artists to live and work in France and his arrival in Paris in 1913 coincided with the first flowering *of modernism. This representa*tive selection of 40 oil paintings is drawn from all periods of his long career. Closed Mondays.
Nishimura Gallery, Ginza. Katsura Funakoshi. Recent sculptures by one of the Japanese artists who exhibited at this year's Venice Biennale and who works in wood in what is essentially a realist tradition. Closed Sundays.

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NOTICE OF MANDATORY REDEMPTION

CREDIT LYONNAIS-LUXEMBOURG announce that Notes for the nominal amount of US $ 6.000.000,- have been drawn for the second mandatory redemption instalment due 20th December, 1988.

The numbers of the Notes drawn in the presence of a Notary Public are as follows :

1	320	613	914	1273	1574	1886	2258	2586	2946	3253	3593	3930	4246	4593	5026	5347	5711
5	323	614	917	1277	1581	1890	2260	2587	2950	3254	3601	3939	4250	4611	5032	5352	5712
11	330	616	924	1281	1582	1893	2265	2591	2953	3255	3602	3956	4253	4615	5037	5359	5713
13	331	617	929	1284	1595	1900	2274	2598	2957	3256	3605	3966	4259	4624	5046	5370	5717
19	333	624	948	1308	1605	1907	2277	2602	2958	3260	3614	3969	4267	4626	5047	5378	5718
20	341	629	952	1320	1608	1916	2278	2611	2961	3261	3619	3970	4268	4640	5055	5384	5719
22	352	643	953	1325	1611	1923	2281	2618	2967	3267	3636	3973	4270	4661	5061	5387	5726
34	355	653	954	1326	1613	1936	2283	2621	2969	3272	3637	3977	4272	4681	5063	5400	5738
35	363	655	969	1330	1614	1938	2285	2622	2982	3276	3643	3982	4275	4682	5065	5401	5745
40	365	656	979	1333	1623	1943	2288	2627	2994	3278	3644	3988	4279	4693	5066	5408	5752
48	372	658	989	1335	1628	1954	2293	2633	3006	3284	3651	3991	4281	4696	5068	5415	5760
50	373	660	993	1341	1630	1956	2298	2634	3011	3287	3654	3993	4288	4700	5070	5444	5767
55	374	664	997	1346	1633	1960	2304	2637	3014	3302	3655	3998	4291	4703	5074	5451	5776
56	376	667	998	1348	1635	1961	2308	2645	3028	3308	3659	4000	4299	4721	5075	5452	5779
57	381	669	1000	1352	1636	1969	2310	2649	3040	3312	3660	4002	4305	4724	5077	5454	5782
72	386	675	1002	1356	1641	1970	2314	2653	3046	3313	3664	4008	4306	4727	5082	5463	5783
81	394	676	1007	1371	1647	1972	2315	2654	3048	3318	3667	4013	4310	4728	5090	5481	5785
89	404	680	1009	1373	1648	1973	2317	2672	3054	3331	3672	4014	4314	4732	5104	5485	5789
94	409	689	1013	1374	1658	1977	2333	2682	3055	3332	3680	4019	4316	4739	5105	5486	5790
96	415	697	1022	1378	1661	1993	2335	2686	3059	3340	3688	4044	4320	4742	5112	5487	5792
98	417	704	1024	1381	1665	1995	2338	2689	3065	3351	3692	4047	4321	4744	5114	5495	5793
100	419	706	1033	1382	1666	2002	2339	2701	3066	3353	3697	4051	4327	4749	5115	5498	5794
102	430	711	1037	1384	1670	2003	2343	2705	3069	3354	3704	4054	4331	4761	5116	5503	5795
105	435	716	1063	1393	1673	2018	2348	2708	3070	3357	3706	4055	4333	4764	5119	5508	5810
106	438	720	1064	1395	1678	2024	2352	2709	3072	3362	3707	4057	4336	4768	5128	5509	5812
108	447	725	1070	1399	1682	2025	2361	2716	3075	3366	3719	4059	4339	4770	5131	5515	5822
109	450	730	1071	1405	1686	2032	2365	2724	3076	3369	3720	4067	4340	4772	5139	5516	5825
110	451	736	1079	1414	1689	2043	2373	2727	3079	3375	3732	4071	4348	4773	5143	5517	5828
112	456	738	1087	1417	1690	2048	2390	2730	3083	3376	3734	4072	4350	4786	5146	5520	5830
134	463	739	1092	1420	1693	2059	2393	2743	3086	3382	3735	4079	4370	4787	5148	5522	5832
145	470	754	1104	1421	1697	2065	2394	2745	3087	3395	3739	4082	4395	4788	5149	5523	5833
149	472	759	1110	1424	1698	2081	2396	2751	3088	3401	3745	4086	4399	4801	5153	5545	5835
151	489	767	1112	1427	1703	2087	2405	2755	3094	3412	3750	4089	4406	4805	5163	5546	5840
152	490	769	1114	1429	1733	2090	2406	2770	3097	3413	3765	4102	4407	4809	5164	5550	5842
158	492	782	1116	1433	1738	2092	2410	2784	3106	3422	3777	4103	4410	4810	5165	5552	5863
167	495	786	1122	1435	1747	2098	2420	2787	3120	3423	3780	4104	4411	4827	5183	5568	5876
169	499	787	1127	1440	1748	2099	2426	2791	3122	3428	3791	4105	4412	4829	5184	5575	5887
175	504	788	1136	1443	1754	2115	2433	2792	3126	3431	3792	4110	4414	4832	5187	5584	5889
182	505	794	1140	1444	1755	2117	2437	2794	3130	3433	3795	4116	4416	4848	5198	5585	5891
184	507	800	1141	1445	1757	2120	2438	2795	3135	3444	3801	4117	4428	4859	5200	5590	5896
191	510	806	1145	1450	1759	2124	2444	2800	3138	3447	3811	4118	4431	4863	5201	5591	5901
195	511	808	1147	1453	1762	2126	2450	2803	3146	3448	3820	4122	4441	4869	5204	5595	5904
210	514	810	1155	1460	1763	2134	2459	2807	3148	3452	3823	4124	4446	4877	5206	5598	5907
211	517	812	1156	1471	1766	2140	2464	2809	3149	3470	3825	4131	4448	4878	5216	5601	5908
217	521	818	1165	1475	1770	2155	2467	2819	3151	3471	3835	4135	4452	4879	5225	5602	5912
220	523	822	1168	1483	1771	2160	2473	2823	3154	3478	3837	4137	4454	4883	5237	5609	5914
228	528	827	1175	1489	1772	2162	2476	2827	3155	3494	3840	4139	4464	4886	5240	5610	5924
229	530	829	1181	1495	1780	2166	2481	2833	3156	3498	3844	4150	4469	4895	5254	5614	5933
232	535	831	1185	1496	1781	2178	2484	2834	3164	3499	3855	4151	4473	4904	5257	5616	5939
241	540	836	1188	1500	1786	2179	2492	2841	3169	3503	3856	4153	4481	4909	5264	5625	5940
243	541	840	1204	1513	1796	2182	2495	2847	3170	3507	3857	4163	4483	4914	5272	5627	5944
246	547	842	1205	1523	1804	2190	2499	2848	3189	3519	3858	4164	4487	4924	5279	5635	5951
249	553	844	1206	1526	1810	2197	2510	2859	3190	3521	3862	4171	4496	4931	5282	5637	5953
253	564	846	1210	1530	1813	2198	2516	2871	3193	3525	3864	4179	4506	4933	5286	5642	5961
259	566	849	1214	1531	1815	2205	2518	2875	3195	3534	3868	4185	4515	4935	5289	5644	5962
271	572	852	1217	1536	1816	2209	2519	2884	3198	3538	3871	4190	4519	4950	5294	5645	5963
273	573	860	1218	1537	1817	2210	2523	2904	3211	3541	3872	4198	4524	4963	5298	5650	5968
275	575	862	1219	1540	1834	2212	2524	2905	3219	3546	3874	4199	4525	4966	5303	5652	5980
285	577	864	1223	1547	1840	2215	2532	2909	3224	3548	3877	4201	4535	4981	5304	5659	5982
287	578	869	1227	1552	1841	2219	2537	2912	3228	3553	3884	4208	4546	4982	5305	5660	5985
290	581	874	1235	1553	1848	2220	2544	2916	3229	3558	3897	4210	4563	4985	5307	5668	5986
291	587	886	1237	1557	1850	2224	2548	2933	3231	3562	3901	4215	4566	4986	5319	5670	
293	588	887	1242	1558	1856	2230	2549	2935	3232	3563	3906	4223	4572	4994	5333	5671	
300	592	894	1261	1560	1861	2238	2562	2937	3233	3564	3908	4230	4573	5004	5334	5678	
303	600	904	1266	1565	1870	2248	2581	2939	3239	3565	3910	4235	4577	5005	5336	5687	
313	608	909	1269	1569	1873	2251	2582	2944	3240	3573	3922	4238	4582	5012	5340	5701	
317	609	910	1272	1571	1884	2254	2583	2945	3249	3589	3929	4245	4588	5019	5343	5708	

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18th December 1987: 1455, 1457, 1466, 1477, 1494
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CREDIT LYONNAIS LUXEMBOURG
PRINCIPAL PAYING AGENT

ARTS

CINEMA

The maverick movie mogul motors back

TUCKER
Francis Coppola

THE SEVENTH SIGN
Carl Schultz

KANSAS
David Stevens

NICO
Andrew Davis

A TAXING WOMAN
Juzo Itami

MY FRIEND IVAN LAPSHIN
Alexei Gherman

LONDON FILM FESTIVAL
National Film Theatre

"Don't stand too close to people, you'll catch their dreams" muses rueful wheeler-dealer Martin Landau, friend to the motor-mogul hero of Francis Coppola's *Tucker: The Man And His Dream.*

Coppola, American cinema's most dangerous visionary, should know. As a maverick movie-mogul, he has infected a whole generation of film-makers or helped them to infect themselves. Now, 15 years after he caused George "Star Wars" Lucas to enter the Intensive Success ward with *American Graffiti* (produced by Coppola), Lucas repays the Master by biting him back. He has produced *Tucker* and set the creative heart pumping once again in a Coppola we thought lost to brain-dead commercialism (*Peggy Sue Got Married*) and/or dead-end experimentalism (*Rumblefish*).

Preston Tucker designed a revolutionary automobile in 1948, acquired a factory with which to produce the first fifty cars (several are still running) and was then strong-armed out of business by the Motown giants, using lawsuits and political pressure to protect their effective monopoly. All resemblances to Coppola's own doomed dream, Zoetrope Studios, harassed by the "monopoly" of Hollywood, are of course coincidental. (But not that coincidental.)

Despite downbeat ending, the movie is almost insanely exuberant. With a ball-of-fire as hero – Jeff Bridges sports a broad grin, a loudhailing voice and the don't-stop-me strut of Johnny Walker – the story crackles along like a vintage Warners bio-pic crossed with an MGM musical.

The characters, like the cars, are factory-built: souped-up high-performers, whether compact runarounds (like Tucker's brawling children) or lean-and-mean limousines (Lloyd Bridges, Jeff's Dad, as the Senator who masterminds court action). But in a fairy-tale context – one man against the System – the cut-out style works. And when we feel too battered by simplification, Martin Landau's mangy-lovable sage of an accountant/best friend steps onto the screen, probing our hero's optimism with melancholy scepticism. (Bridges: "That's the whole idea, isn't it, to build a better mousetrap?" Landau: "Not if you're the mouse.")

Re-united with his great image generals, designer Dean Tavoularis of *The Godfather* and cameraman Vittorio Storaro (*Apocalypse Now*), Coppola mounts a gleeful attack on movie naturalism. A long-distance phone-call between Bridges and his wife (Joan Allen) places the two not just in the same shot but in the very same set, separated only by lighting-styles. And a midnight tryst between Tucker and Howard Hughes (Dean Stockwell) becomes a deliciously creepy Gothic vignette, set in an aircraft hangar under the looming shadow of the Spruce Goose.

This is still not a Coppola restored to full greatness. Much of *Tucker* bears the same relationship to *The Godfather* as an Orson Welles sherry commercial does to *Citizen Kane.* But the new film has at least a joy in creation and the sense of man controlling his material rather than controlled by it. The colours are back in Coppola's palette: now all we need are the shadings, contours and textures.

★

Tucker apart, none of the week's commercial movies even passes its M.O.T. test. Any garage would fail *The Seventh Sign* on its poor steering, rotten suspension (of disbelief) and tendency to flash blinding lights in the audience's face whenever the Apocalypse beckons.

Yes, the end of the world is nigh, and mother-to-be Demi Moore fears her child will be born without a soul. Reason? Her new boarder Jurgen Prochnow says so, and he should know, being 2000 years old, give or take a millennium. As the seven disasters foretold in Revelations strike the Earth – boiling seas, frozen deserts and the rest – what can Demi do? Find out at your local cinema: or not, depending on how tolerant you are of lavish Hollywood tripe even when directed by an Australian (Carl Schultz) and handsomely photographed by a Spaniard (Juan Ruiz Anchia).

Kansas would fail the M.O.T. on its inability to exceed 10 m.p.h. even when flogged Basil Fawlty-style by director David Stevens. Matt Dillon (ex-con) and Andrew McCarthy (rich kid playing hobo) rob a small-town bank and are then condemned to an eternity of subplots – romantical, comical, pastoral – while the law tries to catch up with them. *Tom Sawyer* out of *East Of Eden* out of *Slate, Wyn And Me.*

Any attempt to M.O.T. test *Nico* could result in criminal proceedings by the garage. This vehicle for martial-arts champ Steven Seagal does not allow you to look it over at leisure: it punches you in the groin, pokes you in the eye and if possible runs over both your legs. Mr Seagal plays a rogue Chicago cop who is determined to bust corruption in high places: including a plot to kill a Senator, a drugs ring and the usual movie notion of a CIA attempting to destabilise any country that is not nailed down. Violence galore, cogency and credibility nowhere in sight. Andrew Davis co-wrote and directed.

Jeff Bridges in "Tucker: The Man and his Dream"

★

From Japan and Russia come further messages of man's inhumanity to man. Or in the case of Juzo Itami's *A Taxing Woman,* woman's. In this crackling comedy-thriller from the creator of *Tampopo,* our heroine (Nobuko Miyamoto, alias Mrs Itami) is Tokyo's ace tax-inspector. Fearful, freckled and minute, she makes grown men cower and leads the charge on a crooked hotel-owner (Tsutomu Yamazaki) and his concealed millions. Slow to start, the movie gathers pace like a snowball and ends up vast, round and shining, and spiked with the kicking legs of our heroine's victims.

The title anti-hero of Alexei Gherman's *My Friend Ivan Lapshin* is a small-town police boss, played by Norman Tebbitt lookalike Andrei Botnev. Unvaulted by *glasnost,* this 1981 gaze at the dark 1930s, when Stalinism was a nightmare you could catch by standing too close, is wayward in structure but powerful in detail. The messianic mandate of early Stalinism is made chillingly credible – "We'll clear the land of scum and plant an orchard" is Lapshin's refrain – and one scene of a botched suicide attempt is a tour-de-force, catching us between horror and nervous hilarity.

Just the reaction a normal brochure-reader has to the pile-up of movies at the London Film Festival, still going strong. Highlights in the coming week include a Cannes Golden Palm winner, a refurbished John Ford Western, an Australian prison drama and a thriller about twin gynaecologists.

The first (Saturday November 19) is Bille August's peasant epic *Pelle The Conqueror,* with Max Von Sydow in rip-roaring form as a bibulous Swedish farmer. The second (Wednesday 23) is *She Wore A Yellow Ribbon,* Ford's best colour film, in a gleaming new 35-mm print. The Aussie jail movie is John Hillcoat's scarifying *Ghosts Of The Civil Dead* (Sunday 20), which makes every previous prison film look like *The Sound Of Music.* And twin gynaecologists, both played by Jeremy Irons, are the eponymous *Dead Ringers* in a haunting new chiller from David Cronenberg of *The Fly.*

For filmgoers of the tracker-dog school, who follow talented careers through thick and thin, there is Vincent Ward's time-hopping fantasy from New Zealand *The Navigator,* a cross between H.G. Wells and Monty Python, and Istvan Szabo's tale of a wartime hypnotist, *Hanussen* (both Saturday 19). The latter, from the actor-director team who brought you *Mephisto,* is another thumping vehicle for Klaus Maria Brandauer, though stronger on performance than purport.

Finally, for filmgoers of the sniffer-dog school, something explosive. Based on the letters of American feminist Maryse Holder, Canada's *A Winter Tan* (Wednesday 23) dramatises the raunchy adventures of a middle-aged sex-seeker in Mexico, whose search ended in violent death. Never has the jealously guarded male prerogative of brute lust been so militantly hi-jacked by the other sex. As played by Jackie Burroughs, raw-voiced and ravening, the heroine is a figure at once comic, tragic and bizarrely triumphant. So, by the end of 85 searing minutes, is the film.

Nigel Andrews

Dance and Sculpture

WHITECHAPEL ART GALLERY

The interplay between light and dance and sculpture is not new – Diaghilev initiated the idea for our century with *Fireworks* in 1917 when he illuminated Balla's constructed forms, and continued the experiment with *Ode* – but the current fashion for "performance art" has given a fresh impetus to the exploration of such possibilities. Thus the show on Wednesday at the Whitechapel Art Gallery which allowed Bruce McLean and David Ward, with two collaborators, to play with shapes and light and basic movement.

The first part of a short evening consists of four brief and tenuously interesting items. A melon nesting coyly atop a grey pillar awaits the audience, and as the gallery darkens, it is illuminated, and Mr Ward, in pensive mood, walks in, sits, reclines, and leaves. The melon does not seem affected by events. Next, a panel at the back of the gallery glowed red, and Catherine Tucker executed a few stalwart jumps and poses. She briefly cast a beautiful mauve shadow, but her activities otherwise would appeal more to Eadweard Maybridge than to anyone interested in movement. Mr McLean, wearing a giant white sombrero, moved hispanically round a pool of light, flirting with his shadow, while an old Yma Sumac recording went its multi-octave way. Not so much *Ondine* as *On ne dine pas.* And Dennis Greenwood, as Mr Facing Both Ways in a shirt having two fronts, indulged in some Pina Bausch repetitions of gesture with less than Bauschian bravura.

All this seemed tediously self-indulgent and more than a little amateur.

The second part of the evening proved to be vastly superior. *Partition* is a study in shadows, light shapes, and ultimately in strobe-induced distortions of vision. Called "an architectural ballet," it offered a collection of panels, manipulated by the four performers, under a constant and increasingly complex change of projections of light. Part Alwin Nikolais, part Mondrian, its developed a hallucinatory energy as the performers moved the panels amid the alterations of lighting, figures partly seen, shapes partly comprehended, then suddenly changed, geometric form established, then re-formed. The eye was teased, constantly stimulated, and one should not ask for more. Not even for choreography.

Clement Crisp

Opera in Florence

Years ago, the winter opera season in Florence was the poor, neglected relation of the glittering Maggio musicale, whose rich programme always included some gala opera productions. But now the situation has changed and during the winter the Teatro Comunale offers a carefully-selected, attractive repertory.

This season the opening event was Verdi's *Simon Boccanegra,* presented in a new production of exceptional interest. The sets and costumes were based on the original designs by Gerolamo Magnani for the première of the opera's definitive version at La Scala in 1881. Magnani, then in his late sixties, was from Parma, where he regularly designed productions – including Verdi works – for the Teatro Regio. It was Verdi himself who wanted Magnani at La Scala. So the sets now seen again in Florence surely represented the composer's idea of what the work should look like. In a published pamphlet, Verdi also gave explicit instructions on how *Boccanegra* should be staged; and at the Comunale this "production book" was the inspiration of the staging by Virginio Puecher.

What we saw was, obviously, not an exact replica of what the Milanese saw in 1881; but it was still a fascinating and worth while experiment. Guido Baroni's modern lighting, unfortunately, could not achieve the softer, 19th century glow; and the sets, while handsome, looked more two-dimensional than they should have. Puecher occasionally chose to ignore the composer's instructions: at times this was of no great matter; but there were occasions – Simone's entrance into the palazzo Fiesco in the Prologues, for example – when Verdi's precise, even finicky directions could profitably have been followed.

Puecher was not lucky in his actors. Giorgio Zancanaro, in the title role, sang with a lovely, lyrical – even *tenorile* – baritone; but he was generally stiff and unresponsive. Maria Chiara was a more pliant and persuasive Amelia, and was in good voice. Bonaldo Giaiotti, veteran bass, sang Fiesco decently, but not movingly, and, as antagonist, he was a cipher. The tenor Mario Malagnini sounded immature at times, but he had youthful spirits and a sweet sound. It was, however, the conducting of Myung-Whun Chung that really gave life to the great, brooding score. Never rushed, never pulled out of shape, the music breathed with vitality.

★

The Comunale's second opera was *Tristan und Isolde;* and here, even more than in *Boccanegra,* the designs dominated the evening. For this was the David Hockney production, seen last year in Los Angeles, and supervised here by Hockney himself. After all the drab Wagner we see, it was a treat to see a wealth of bright colour. And, this time, Guido Baroni achieved superb lighting (the low, slanting sunlight of the last act was memorable). Jonathan Miller's staging was reproduced by Jeanette Aster. Not having seen it in Los Angeles, I am not in a position really to judge Aster's work, or Miller's; the production seemed without ideas, but at least it was unobtrusive.

It is hard, these days, to find Wagnerian singers; and it cannot be said that the Florence cast was strong. Still the Isolde, Lisbeth Balslev, looked beautiful and sang sweetly and affectingly, if not powerfully. Her Tristan, Wolfang Fassler also had some tender moments, but he did a lot of bawling, too. The finest singing was heard from Nadine Denize, a warm and eloquent Brangane; and from the stately, noble Matthias Holle, the King Marke.

The conductor Gustav Kuhn is a familiar figure in Italian houses, and it is easy to see why; he is reliable, a sound musician, good at keeping even large forces together. But he does not soar. Like the *Capriccio* of Richard Strauss, which he conducted here last year, this *Tristan* was never less than enjoyable; but is never lifted you out of your seat, either. In the end, we came out whistling the sets.

William Weaver

The Visit

ALMEIDA THEATRE

The centrepiece of the Théâtre de Complicité season at the Almeida is a powerfully inventive and enthralling revival of Friedrich Dürrenmatt's 1956 macabre parable *The Visit.*

The Swiss German play that in Peter Brook's production was one of the biggest successes the Lunts ever had is both a jaundiced romance and an attack on the post-War economic miracle. It shows a provincial middle European town gaining prosperity by conspiring to murder one of its leading citizens.

Clara Zachanassian, an international oil millionairess, returns to her home village of Güllen to present the people with unlimited riches on condition they kill the man, Alfred Schill, who seduced her at 17 but then consigned her to an early life of prostitution. She has come to buy justice. The community complies with her revenge and destroys its soul in the name of wealth, freedom, public duty and prestige abroad.

No need to italicise that little message for our times. But as Kenneth Tynan pointed out, the play is more than a satire on greed. It is also a chilling, double-edged indictment of bourgeois democracy. That we can all be bought is clear, but Dürrenmatt illuminates the tragedy of this process in a middle act of Gogolian black hilarity. Schill sees little signs of his imminent death as people acquire radios, new clothes, yellow shoes, and ask for butter in his grocery shop. The vicar rings new bells.

These passages suit Complicité down to the ground and Annabel Arden's direction, placed firmly but not reverently at the service of a great text, gives a whole new lift to the company's physical obsession with tacky materialism. The populace, trembling on the railway station awaiting Clara's arrival, are transformed from juddering, tramp-like specimens of human detritus as the inter-city expresses zoom past, to cravenly attired self-help merchants.

Simon McBurney, with stick-out hair, a nervous blink, goofy teeth and grimey flares worn at half-mast, is no doubt a far cry from Alfred Lunt. His Schill is a nerd-like victim, and he wears his defeat like a despondent suit, glazed and stricken into sad resignation. The touching originality of this performance blends with the superb design of Rae Smith and Paddy Hamilton which features a wall-high collage of orangey blood-stained blue shirts in the frozen painted plaster style of Claes Oldenburg and Jasper Johns.

In poverty and wealth, the village boasts of its cultural reputation ("Goethe slept here and Brahms composed a string quartet") and this coherence in transition is brilliantly conveyed by the quick-changing, athletic and versatile company. Dürrenmatt suggests a tumultuously plastic staging style in his human trees and poetic choruses. Complicité take the hint with imaginative panache, Celia Gore Booth, Marcello Magni, Clive Mendus and Richard Hope, trebling and quadrupling as sinister guards, town worthies, blind men, forest fawns.

The emotional core of the play lies in the reunion of Schill and Clara. The gulf is now huge, but fleetingly bridged in a poignant walk in the woods. McBurney is still, blank, drained. Clara, crippled and bizarre in furs, jewels and dark glasses, is played by Kathryn Hunter as a tiny croaking amalgam of Fleur Cowles and Antony Sher's Richard III.

Miss Hunter gives a stunning performance, hoarse, sinister and casually vengeful. She marries her ninth husband, a gormless Nobel Prize winner, in the parish church at the top of the characteristic Complicité step-ladder, sporting a huge white train. When she hobbles speedily away, she moves like a glittering white snake who will swallow the whole town.

The set comprises two great mobile platforms that stand up to represent village locations and descend like a drawbridge for the banquet (cheese slice sandwiches and tomatoes) and public meeting. From the jangling bell and trumpet music of Avro Paärt to the harsh and lush romanticism of Shostakovich, the soundtrack is a masterly accompaniment to one of the really outstanding productions of the year.

Michael Coveney

Alastair Muir

Kathryn Hunter

ARTS GUIDE

November 18-24

THEATRE

London

Measure For Measure (Barbican). Pick of the RSC London repertoire, a gripping revival by Nicholas Hytner, strongly acted, with witty design references to Lloyds of London and the Pompidou Centre in Paris (638 8891).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion. (379 5399).

The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy of class barriers. (930 9832, CC 379 4444).

Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a 1950s farce that prefigures the capture of old England by the spivs and opportunists. A genuine classic (437 3686).

Bartholomew Fair (Olivier). Successful Victorian transposition of Ben Jonson's sweaty masterpiece with ferris wheel fairground setting and much zanily eccentric acting in Richard Eyre's National Theatre company. (928 2252). Nov 17-19, 26-29, Dec 3-10.

The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Dec 17-23, Jan 5-10, 19-21.

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).

The Sneeze (Aldwych). Eight short Chekhov pieces – four vaudevilles, four early stories – translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, cc 379 6233).

Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (836 8888).

Amsterdam

Stadsschouwburg. The English Shakespeare Company closes its Dutch tour of the Wars of the Roses with Henry V (Fri), and on Saturday: Henry VI, Lancaster (10.30am) and York (3pm), and Richard III (7.30pm) (24 23 11).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

A Christmas Carol (Goodman). William J. Norris celebrates his tenth season as Ebenezer Scrooge in the annual holiday production with a cast of 26, directed by Michael Maggio. Ends Dec 28 (829 4141)

Tokyo

Kabuki, performances at 11am and 4.30pm. The mixed morning programme includes a seasonal piece, Momoji Gari, or The Maple-Viewing Party, featuring a spectacular transformation of a woman into a demon. In the afternoon programme, Kotobuki Soga no Taimen, or the Soga Brothers Confront their Enemy, a tale of vendetta is written and performed in the bombastic, highly theatrical "ara goto" style. Among the artists appearing this month is 71 year old "living national treasure", Nakamura Utaemon, who specializes in female roles. Excellent programme and earphone commentary in English. Tickets available for a single act. For details, enquire at the theatre. Kabuki-za. Ends Nov 25 (541 3131).

Kabuki A mixed programme, which includes Kiri Hitosuha, a "new" kabuki play written in 1904 and the classic Migawari Zazen (The Substitute), about a young lord who escapes from his jealous wife to visit his mistress. Unfortunately for him, his wife's vigilance is more than he had counted on! English language programmes and earphone commentary. Performances at 12 noon and/or 5pm. Ends Nov 27. National Theatre (265 7411).

Schiller Theatre. West Berlin's leading theatre company pays its first visit to Japan with Schiller's tragedy of love and betrayal, Kabale und Liebe (Mon) and Odon von Orvath's morality about survival, Glaube Liebe Hoffung (Thurs). Nissei Theatre (503 3111).

SALEROOM

Kafka's Trial makes £1m

Kafka's original manuscript for his novel "The Trial," written in 1915 but never published in the author's lifetime, sold for £1.1m at Sotheby's yesterday to the dealer Tenschert, who was bidding in behalf of the German Government. The manuscript will go into the safe, erudite, hands of the Marbach Literary Institute. The price was in line with the saleroom's expectations.

The manuscript of "The Trial" has suffered many vicissitudes. In 1920, four years before his death at the age of 41, Kafka gave it to his friend and literary executor Max Brod and it was twice almost destroyed, by the Nazi invasion of Prague and during the Suez Crisis. Most of Kafka's other manuscripts are in the Bodleian. Yesterday's price was a record for a 20th century literary work, but a reasonable price for one of the masterpieces of world literature.

The importance of the Impressionist, post-Impressionist and contemporary picture sales to the well being of the salerooms has been made manifest by Christie's in New York within the last week. Seven auctions in these sectors, involving just 612 lots (about the average number of lots for one run-of-the-mill book auction), brought in over $200m, or £111.7m. This compares with Christie's turnover during the entire 1987-88 season of £630m.

Christie's in London showed its mettle yesterday with a good English furniture auction which realised almost £3m, with only 6 per cent unsold. Just before he died the Duke of Northumberland had consigned five lots, which brought in £607,000 to his heirs, including a price of £220,000, as against a £50,000 top estimate, for a George II Siena and white marble chimneypiece which had been in the family's grand London home, Northumberland House in the Strand. This was demolished in 1874 to make way for the thoroughfare Northumberland Avenue, and the chimneypiece removed to Alnwick Castle.

Top price in the was the £330,000 paid by Dallas, a London dealer, for a pair of George II white painted sidetables attributed to Matthias Lock, probably after the design of Henry Flitcroft and supplied around 1750 to the Rockingham family at Wentworth Woodhouse in Yorkshire, which is no more. They correspond in every detail to a pencil drawing by Lock in his folio album in the V & A and were sold by the Trustees to the family. The top estimate had been £70,000. A pair of white painted console tables from the same source realised £187,000.

Antony Thorncroft

FINANCIAL TIMES

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The concern about wages

LIKE ANY DRIVER, the Chancellor of the Exchequer has to look out for the traffic lights. The most important indicator of inflationary trouble ahead is the labour market. These particular traffic lights are amber today and could be red tomorrow.

Despite the dangers, one should recognise the pleasing elements in yesterday's announcement. The unemployment level of 2.16m (7.7 per cent of the the labour force) is now 1.05m below the peak level of June 1986. If the rate of decline could be sustained, unemployment would fall below 1m during the first half of 1991. Unfortunately, it will not, now that the Chancellor has been forced to put on the monetary brakes.

The evolution of pay and productivity will largely determine how much harder still he will have to brake. On this, the new figures are no more discouraging than those of last month. For the whole economy average earnings rose at an underlying rate of 9¼ per cent in the year to September. The increase in output per head in manufacturing over the same month of last year rose to 7.4 per cent in September and wages and salaries per unit of manufacturing output rose by only 0.8 per cent.

High unemployment

Unfortunately, with the slowdown in economic growth that is expected, the growth of productivity is almost certain to fall by more than that of earnings. In effect, the UK's NAIRU (the rate of unemployment at which inflation does not accelerate) appears to be stuck at between 8 and 10 per cent of the labour force. An alternative perspective would be that inflation does not remain stable once unemployment falls by over 1 per cent per month. Under either interpretation historically high unemployment rates are, at best, likely to endure for a very long time and, at worst, are a structural feature of the UK economy.

This is not acceptable. Imagine, by way of contrast, the situation now if nominal earnings were rising at below 5 per cent a year: the UK would be steadily gaining in international competitiveness, while the rate of inflation would be negligible. This is precisely the current situation in Japan.

Sir Trevor Holdsworth, the president of the CBI argues that "if we make sure that such growth (in earnings) is fully covered by gains in productivity, then no one can be criticised." Sir Trevor is wrong.

Restrictive practices

Productivity growth is the fruit either of investment or of improved ways of using labour. There is no economic reason why the employees of a firm should benefit from investment within it. Moreover, payment of "wagegeld" to purchase increased labour efficiency merely ensures that workers have the greatest possible incentive to retain, and even introduce new, restrictive practices. In the case of manufacturing the price of granting the benefits of productivity growth to existing employees has been a total failure to expand employment.

With clear evidence of the limitations of a strategy based on growth alone, the workings of the labour market as a whole need to be reviewed. Pace the Governor of the Bank of England, the belief of businessmen that they will be bailed out by exchange rate depreciation needs to be further reduced by entry into the European Monetary System.

A review of the obstacles to geographical mobility created by the housing market is also required. Labour law has not yet attained a state of perfection. The tax and benefit system needs to be examined, with special emphasis on the disincentives to work imposed on the unskilled. Finally, there will have to be a much greater commitment by the Government to training than anything now in prospect.

Growth has achieved much, but not enough. If the UK is to sustain non-inflationary growth in the long term, as well as bring unemployment down to the levels seen in countries like the US or Japan, policies affecting the labour market need to be reviewed. Otherwise, the traffic lights will not merely turn red, but are likely to remain there.

Momentum in southern Africa

THERE IS now a momentum for peace in south-western Africa that has far-reaching implications for South Africa itself. Independence for Namibia is within reach. Thus the time is ripe for both the South African Government and the African National Congress to explore new ways of ending the years of stalemate.

The momentum stems from the achievements already in hand. Last July, Angola, Cuba and South Africa agreed to a non-aggression pact: the ceasefire that followed is observed by the South West Africa People's Organisation, Namibia's main nationalist party.

In Geneva this week the last obstacle to a regional peace package was overcome. Delegates from the three Governments agreed in principle on the terms of a phased withdrawal from Angola of 50,000 Cuban troops.

There remains the unresolved issue of Unita, the Angolan rebel movement led by Mr Jonas Savimbi. But the combination of mediating efforts by African states and the mutual enfeeblement of the protagonists in the civil war raises hopes for a negotiated end to this conflict as well. South Africa will have to stop supporting Unita, while the Luanda Government will no longer be buttressed by its Cuban allies.

Two factors

Two factors in this complex package have ramifications for the South African Government and the ANC. The first is the military setback faced by the ANC and the second is the constructive role of the superpowers.

If the package is implemented – as seems likely – Angola will request the ANC to close its guerrilla training camps in the country. Mr Sam Nujoma, the Swapo leader, has made clear he will not allow the ANC to establish bases in an independent Namibia. The ANC is already denied these facilities by South Africa's other neighbours in the region and the net result is undoubtedly a severe blow to the organisation's military campaign against Pretoria.

This must intensify the debate within the ANC about its strategy to end apartheid. A draft document advocating a multi-party system, a bill of rights and a mixed economy is under discussion. It would be unrealistic to expect the ANC to renounce violence unless Pretoria first makes major concessions. In the meantime the organisation may have to consider the advantages of selective participation in one electoral arena currently open to it: township councils.

Electoral opportunities

The ANC is banned in South Africa, and the activities of the largest anti-apartheid coalition, the United Democratic Front, are severely constrained. Yet it need not be beyond the ingenuity of the two organisations to overcome this obstacle and exploit the opportunities offered by the electoral process even on the present terms.

A reappraisal of strategy – including further assessment of foreign investment – could well take place with the encouragement of Moscow and Washington, who have demonstrated the impact of superpower co-operation in south-western Africa. Both of them applied pressure on the protagonists. They can now turn their co-ordinated attention to persuading all parties involved to work together in dismantling apartheid. Signals emerging from Moscow since the Gorbachev era began suggest there is more common ground than generally realised.

A recent study of Soviet relations with South Africa by the authoritative US Center for Strategic and International Studies pointed out that Moscow has placed less emphasis on the ANC's armed struggle, and hasadvised against sweeping nationalisation. President Gorbachev himself has underlined the need for a political solution.

If peace in south-western Africa leads to an ANC reappraisal of its strategy and encourages further superpower co-operation in the region, the Geneva talks could prove to be a turning point for South Africa as well. This is an opportunity that President Botha cannot afford to overlook.

David Housego looks at the way ahead for Pakistan after an inconclusive result to the first election for 11 years

A country where the worst is no longer inevitable


Benazir Bhutto: walking a political tightrope after a disappointing victory

There was a good deal of disappointment in Benazir Bhutto's Pakistan People's Party yesterday. Overnight hopes of a sweeping victory were dashed by results from the rural Punjab depriving the party of the absolute majority in the National Assembly that had seemed within its grasp. By the end of the day, as the number of seats the PPP had won totalled 92 – well below expectations and the 104 needed for an absolute majority – murmurings began within the party that, in the Punjab at least, the result had been rigged.

But unlike Pakistan's last general election in 1977 when the outcome was greeted by cries of foul play and street demonstrations, the PPP was last night still hesitating over whether to challenge the overall validity of the results. It faced a difficult dilemma in that it benefited from an unexpected landslide in Sind province that it had no wish to call in question. At this stage as well, public opinion might not support an outcry.

With Wednesday's polling relatively peaceful and both sides seeming ready to accept the broad result, the major gain is that the election has carried Pakistan a step further towards establishing a democratic tradition for the peaceful transition of power. After almost 11 years of military rule under President Zia ul-Haq that is an achievement for democracy in a country that has experienced little of it.

But the advance remains a fragile one which could come to grief. Over the next few days – though the process could take much longer – President Ghulam Ishaq Khan will have the task of naming a new Prime Minister. Both the President and the army would prefer a figure from the conservative Islamic groups to the unpredictable Ms Bhutto. The President also knows that the PPP will never forgive him for alerting Gen Zia to former Prime Minister Bhutto's plans to dismiss him as chief of army staff in 1977, prompting Zia's coup d'état.

He is not obliged to call on the leader of the largest party unless it has an absolute majority. The chances are that he will look for a Prime Minister from within the Muslim Alliance who could command a majority in the National Assembly with the support of smaller parties and independents.

The Government likely to emerge will almost inevitably be "weak and indisciplined," as one Pakistani observer puts it. The man most widely expected to lead it is Mr Nawaz Sharif, currently chief minister of the Punjab and an Alliance leader whose claims to the job were strengthened by the elimination of his main rivals in Wednesday's vote. But he lacks political experience. As a Punjabi his appointment would be unpopular outside his own province, which could disqualify him.

The Alliance is split into numerous factions and the scramble for office and patronage is likely to be the more uncontrollable once its ranks are swollen by the addition of the smaller parties and independents. Many of its senior figures are ministers in the present caretaker Government and lost their seats in the election, demonstrating that the Government already has a tarnished image. The election also showed that two of the props on which Mr Nawaz Sharif has counted – Islamic fundamentalism and the Zia legacy – carry much less weight with the public.

The strongest card of a Muslim Alliance administration is that it would have the support of the armed forces. General Aslam Beg, the army chief of staff, has already emerged as an influential back-seat driver in the Government. The army, through the Inter-Services Intelligence Committee, runs Afghan policy hand-in-hand with the Foreign Ministry. Gen Beg's public comments are seen as key policy statements in Pakistan. He thus seems to be edging the country towards a "guided democracy" on Turkish lines – a system which does not offend the Muslim parties.

Against all this, Ms Bhutto has a difficult tightrope to traverse. The election has demonstrated that she is the only popular leader with nationwide appeal and that the PPP remains the only political movement with mass appeal. In Sind she won a landslide victory because of the unpopularity of a Government seen as having turned its back on the province. Feudal loyalties did not prevent villagers voting where their instincts lay.

The dynamics of Pakistan politics now demand that she goes on the attack against the establishment if she is to hold her party together. Supporters and National Assembly members – many of whom joined her for opportunistic reasons because they believed she would win – will drift away unless she can offer the prospect of office by demonstrating that she has the administration on the run. But if she goes too far, she risks renewed army intervention.

Ms Bhutto has negotiated this tightrope successfully during the election campaign. Over the long run it will be more difficult to control her supporters. They are already crying for blood against Mr Nawaz Sharif whom they accuse of corruption and misuse of

The main gain is that the election has carried Pakistan a step further towards establishing a democratic tradition

government funds during the election. Many of them would like her to take the lead by denouncing the validity of the results and carrying the battle on to the streets.

A crucial test of the stance she takes will emerge in the coming days over the issue of the President's power to choose a Prime Minister. Some PPP lawyers argue that under the constitution a presidential election must precede the nomination of the Prime Minister. Ms Bhutto has yet to decide whether to lay the case before the courts. But if she did so she would be embarking on a head-on confrontation with Mr Ghulam Ishaq who, on this issue, would have the army behind him.

Many within the party believe that a period in opposition in the National Assembly would do it good. It would give the party experience it has lacked in the last 11 years and it would help it to give shape to its policies. The PPP could also expect the Government's unpopularity to increase under the weight of its internal quarrels and the problems it faces.

But for that scenario to be realistic the army has to concede the possibility of the PPP coming to power. If the PPP feels that the door remains closed, the prospect is of a downhill path to violence which many still fear is the fate that awaits Pakistan.

The army has been the most clear-cut winner of the elections. By making clear its commitment to go ahead with the vote it has rapidly won itself a democratic image – in sharp contrast to the repressive colours it earned under President Zia's regime. With the elections ending in a hung parliament, it remains the arbiter of the political scene.

Some observers believe that Gen Beg intends to keep democracy on a short leash and that he harbours ambitions for power. But Pakistan is increasingly too sophisticated a society to tolerate the type of lone horse-rider – hero one day, broken idol the next – who has ruled as military dictator in the past. The middle class has expanded enormously. The economy is becoming more market-oriented. The military have more difficulty in mastering this complexity.

At the same time the democratic experiment shares all the fragilities of Pakistan society. It is a country of sharp ethnic conflict – in Baluchistan the Baluch National Alliance, a separatist movement, won a majority of seats. Generally the countryside is feudal and industry, too, is run on a system of family baronies. Drugs and the carrying of arms have become more widespread under the impact of the Afghan conflict.

Throughout Pakistan's brief history, regimes have been saved and damned by events beyond the country's borders. Ms Bhutto's father, Zulfikar Ali Bhutto, was helped to power by the national humiliation of the loss of Bangladesh in 1971. President Zia consolidated his power on the back of the Afghan conflict.

The present situation is no exception, with a major domestic turning point coinciding with the hazards of the winding down of the Afghan War. In Afghanistan the resistance is gaining the upper hand. Political solutions are being explored through discussions involving the resistance movement, Pakistan and the Soviet Union on an interim Afghan government.

At the same time the Russians have stepped up pressure on Pakistan by positioning Scud missiles and Mig 27 Backfire bombers in Afghanistan. Pakistani officials believe they are there to intimidate the new government in their country, with the implicit threat that they could be

Many of her supporters would like Benazir Bhutto to denounce the results and take the battle on to the streets.

used against Pakistan.

A satisfactory settlement of the Afghan conflict is important to Pakistan for both security and psychological reasons. It wants to safeguard its western borders to end the current situation in which it feels exposed on two flanks. A satisfactory settlement is also important to provide some return from eight years of conflict.

The armed forces and the Foreign Ministry have prepared policy positions for the new government. But because of the domestic repercussions of Afghan policies and unknown factors such as the pressure from the Soviet Union, disagreements between the military and the civilian administration are always possible. Afghanistan also provides a continuing justification for the military to intervene in civilian affairs.

The other important problem facing a new administration is the economy. Real economic growth in Pakistan has been averaging 6 per cent over the last few years, almost twice the rate it was under former President Bhutto. But both the budget and the balance of payments deficit have ballooned to unsustainable levels.

Defence, internal security and interest payments absorb some 70 per cent of current spending which means that development expenditures obtain a diminishing proportion of resources.

The weak government that seems likely will be ill-placed to take the belt-tightening measures that are necessary. None the less there is far more consensus than there was in the 1970s – when Mr Bhutto strengthened controls and widened nationalisation – over the direction of economic policy. Mr Nurwaz Sharif talks of cutting public sector deficits, reducing the role of government and providing more incentives for the private sector. Though the PPP is still a populist movement, with wealth redistribution an important part of its platform, its policy makers are committed to market economics.

After 11 years of military or quasi-military rule that have been haunted by the Bhutto-Zia conflict, the election has given the country the chance to turn a fresh page. Pakistani cynics say that the opportunity will be bungled and that the country will revert to military rule. But the worst is by no means inevitable.

OBSERVER

Melbourne tries again

■ Australians have been quarrelling over which of their cities should bid for the 1996 Olympic Games, but have finally settled on Melbourne.

It goes into a race which is expected to include Athens, Atlanta, Toronto and Manchester. If it succeeds – and no one doubts that Athens, having staged the first modern Games in 1896, is the favourite for the centenary – Melbourne will play host for the second time in 40 years, having staged the event in 1956.

The international competition for the site, however, can hardly be as bitter as the contest in Australia. John Cain, Victoria's premier, led the way for Melbourne, Nick Greiner, premier of New South Wales, for Sydney, and Mayor Sallyanne Atkinson for Brisbane. All are experts at exploiting local loyalties and inter-state rivalries.

In the days before the Australian Olympic Federation handed down its decision yesterday, the beer baron and sports enthusiast, John Elliott, was accused of using strong-arm tactics in support of Melbourne, while Sydney had to deny suggestions that one of its proposed sites had been contaminated with dioxin.

Cain insisted that only Melbourne was equipped to stage the Games, and accused Sydney of unfairly seeking federal loans to stage them. Greiner, who thought Sydney was the favourite, retorted that the harbour city could afford them without costing the taxpayer anything.

Melbourne, Sydney maintained, had weather problems, accommodation problems and transport problems.

Brisbane's case seemed better, despite its smaller size. It staged the Commonwealth Games in 1982, and has just finished putting on Expo '88 which attracted some 18m visitors over six months. It has also bid for the Olympics once before, losing out to Barcelona in the battle for 1992.

In the end Melbourne's best argument was that athletes would be in walking distance of most events.

Bray's model

■ Dr Jeremy Bray, the Labour Party's spokesman on science and technology, reminds us that the Russians have good reason to apply for the Treasury model of the UK economy. They invented it.

Leonid Kantorovich, a Nobel Prize winner in economics, developed the theory of linear programming, on which the Treasury model is based, in 1938. He was given an honorary degree at Cambridge in 1976. That was when he met Bray.

It was Bray who moved the amendment to Tony Benn's 1975 Industry Bill which obliged the Treasury – much against the Government's will – to publish its models and forecasts and their margins of error. He impressed Kantorovich by giving him a paper he had delivered to the Royal Society of Statistics called "Optimal control of a noisy economy with the UK as an example". The Russian liked the title, but at that stage the existence of noise in the Soviet economy was not acknowledged.

Kantorovich asked if he could see the British Parliament at work. It turned out that the reason was that his wife, who may have had a touch of Raisa Gorbachev, wanted to visit the House of Lords. But since Kantorovich declined to wear a tie, they had to make to with the Commons.

Bray has now written to Vic Gregorian, the Tass man in London who, as we reported on Wednesday, has been seeking the Treasury model, offering him a much superior version that takes the Kantorovich principles of policy optimalisation fully into account. Bray says that the Treasury falls short because it refuses to apply them to exchange rate forecasts.

Disenfranchised

■ The turnout for Monday's Canadian general election is expected to be substantially higher than it was for last week's Presidential poll in the US. None the less as many as 2m Canadians will effectively be ineligible to vote. This is because they are residing abroad - the vast majority of them in the US.

There is essentially no postal voting system in Canada. The only Canadians resident abroad who can vote, according to Louis Lavoie, director of operations for Elections Canada, are members of the military and those working for the department of external affairs.

Canadians on holiday abroad on November 21 will be similarly disenfranchised – unless they have had the foresight to vote in advance. This can now be done only by visiting the office of their local returning officer on any of the last 21 days before polling day (except Sundays): not always an easy task in the larger of the country's rural constituencies. The Yukon, for example, has an area of 536,000 square kilometres.

Advance polls for the benefit of those expecting to be absent next Monday – as well as for the ill, disabled, elderly and those in an advanced stage of pregnancy – were open across the country for three days on November 12, 14 and 15.Fishermen, hunters, trappers and a few other special cases have the right to vote by proxy. Reform of the system is "being discussed", according to Lavoie.

Germanspeak

■ When I lived in Germany I used to go into contortions trying to avoid translating works like *Umweltfreundlich* or *Verbraucherfreundlich* literally into English. The reason was that I thought the straight translations were very ugly and assumed that they would be struck out of the paper even if I tried them. Now they seem to be a matter of course. "Consumer-friendly" has become normal English usage.

There was also a term *Strukturpolitik*, which was very important in Germany but seemed meaningless in literal translation. Yet even "structural policy" is now used quite freely in English. Similarly with the social market economy, which is straight from German, though one wonders how many British people know what it means.

Worth trying

■ Sign on the windscreen of a car parked on double yellow lines in Chelsea: "Back soon. Visiting sick traffic warden."

POLITICS TODAY

Eyes on the Chancellorship (from left): Cecil Parkinson, Nicholas Ridley, Nigel Lawson

Tale of Mr Drains and Mr Sparks

By Joe Rogaly

"IF GEORGE BUSH is going to be as wet and wilful as *that*," thought Mrs Margaret Thatcher as she headed home to London this week, "I may have to keep Nigel on after all."

This exclusive insight into the mind of the British Prime Minister comes via a satellite link from my wrist-telephone to a special thought-bug placed inside the Royal Air Force jet in which she travels. The entire transmission has been recorded. I would offer this important thought-tape to the Chancellor of the Exchequer, Mr Nigel Lawson, but I am not sure that the Treasury has the necessary replay equipment. "He is a good Chancellor, most of the time," his boss has been thinking, according to the tape. "If there is an economic crisis in the US next year," it goes on, "we shall catch an awful cold in Britain. I shall have to have someone both the markets and I can trust. Someone familiar. Oh dear, unless George gets a bit of backbone from somewhere, there *will* be a crisis. Then it's going to have to be Nigel – possibly right through to the next election.

"Such a pity. Nigel is one of us, but he's a gambler, and we don't really want him to walk a tightrope for the next three years. He might do something really silly, however brilliant he usually is. You can't watch him *all* the time. He still tries to get away with keeping sterling at his idea of the best levels, in spite of everything I've said. As for next year – if I have to talk him into staying because of an economic crisis he'll be more vain and moody than ever. He'll be insufferable. He'll sit there next door, all shut up inside himself. His trips to the Treasury will be even rarer. I do wish he'd get out and about a bit, meet some other economists. He'll *have* to meet Alan after he comes back from Washington next year. That will be a great help to me, but I wish Nigel wouldn't keep saying that Alan is a . . ."

An unfortunate blip in the thought-tape has obscured the next few words. The Chancellor's private description of Professor Alan Walters, economic adviser to Mrs Thatcher, is therefore technologically deleted.

The tape continues: "Nigel's other problem is that he doesn't have political finesse. He made such a bosh of that briefing the other day. He has certainly been damaged by it, but he could get over that. So if I have to keep him at No 11, I will. If not, he can have the Foreign Office, although it beats me why anyone should want it. It's simply a ceremonial post. I suppose Nigel would do. The question is, though, who to put into No 11 . . ?"

Here the tape fades into the thought-pattern of sleep and dreams: the graphics emulator starts to print out vague images of Boadicea, Queen Elizabeth I, Winston Churchill and a powerful flying figure in a wind-blown cape hurtling through a closed window, fists outstretched, towards a startled group of rough-looking men with stocking masks over their faces.

* * *

Most people think the answer to that pre-sleep question is Cecil Parkinson, the Secretary of State for Energy. He has been the publicly fancied contender since the late summer, when he was given the task of backstop on the public spending debate. If the Chief Secretary to the Treasury, Mr John Major, had proved unable to win the acquiescence of all the spending ministers to the planning figures for the next three years, Mr Parkinson would have convened a "Star Chamber", with the power to force cuts on recalcitrant colleagues. In the event his services were not called upon. Mr Major did the job all by himself. He thus moved into the politically terrifying position of being tipped as a future Prime Minister by practically everyone. He is duly discomfited. He is said to be not ripe for the Chancellorship. Yet, like his predecessor, Mr John MacGregor, he would be a safe pair of hands.

Mr Parkinson, for his part, is said by some of his colleagues to be a "racing certainty." This is perhaps the main reason for doubting the common assumption that he will take over at No 11 Downing Street. If there is one thing that is certain in politics it is that racing certainties often aren't. His chances are, however, pretty good. You have to start with the proposition that Mrs Thatcher will only appoint someone she regards as ideologically sound. He (there is no woman candidate) must be a 100 per cent cast-iron trustworthy Thatcherite. Even in the present British Cabinet there are not many of those about.

The two most senior in a small field are Mr Parkinson and Mr Nicholas Ridley, the Secretary of State for the Environment. Neither of these should be underestimated. Each has a major bill to pilot through the new session of Parliament. Mr Parkinson will privatise electricity. Mr Ridley will privatise water. Mr Parkinson's old friends in the building trade would call them Mr Sparks and Mr Drains.

If there is one thing that is certain in politics it is that racing certainties often aren't

If Thatcherite soundness were the sole touchstone, Drains would be a very strong contender. He has tried, in bill after bill, to master local government finance. He has the advantage that nobody in the world can understand it, so the assumption must be that he has done a good job. He has forced through the poll tax, which Mrs Thatcher has described as the flagship of her administration. He has shown stubborn toughness in his defence of the receding generation's view of how to protect the environment. He would seek to be master of the Treasury as he has been at Environment.

But soundness is not the only requisite quality. Presentation is another. Here the disadvantage of Drains is that he is not emollient on television. The issue is not whether this or that policy is right or wrong. It is whether it seems to be coming from a kindly, well-meaning chap. A Chancellor in office in the run-up to a general election may do well to seem austere, but he should not seem grudging.

Sparks has the opposite problem. He is handsome and smiling, but people ask whether he has substance. The question is not often asked in the City, where he is remembered for paving the way to last year's Big Bang in financial services. It is, however, asked by some of Mr Parkinson's colleagues. Yet he is known as a successful businessman, an accountant, someone with a healthy disrespect for economists. (The latter trait wins him my vote, every time.) In terms of spending on social services he is probably just as mean as the Chancellor, if not meaner – but unlike Drains, who would flaunt any intention to target the state pension, Sparks would dress it up as a generous gesture.

You can see this difference of character from a recent exchange on nuclear policy. Most of the Government believes that it is important to keep some nuclear generating stations going, as insurance against a re-incarnation of either the National Union of Mineworkers or Opec. The Prime Minister made her commitment to this plain to most of the Cabinet shortly after last year's election victory. They are all nervous about the public reaction, since the polls show that nuclear power is extremely unpopular. The Government's recent discovery of environmental politics has, however, come to the rescue. Nuclear power is now being promoted as the best way of keeping the air clean.

Nick Drains took this as an opportunity to taunt the traditional Greens: he has been speaking as if there would soon be a new reactor in every village. Cecil Sparks, whose ministry has responsibility for these matters, has never talked of anything beyond the number of new reactors (four or five) necessary to replace the nearly obsolete Magnox collection. He has also professed neutrality about nuclear power, saying that the market will decide.

In fact it will not. The private electricity companies will compete for both supplies and customers, thanks to Sparks' ingenious break-up plan, but there will be a special levy to meet the cost of the agreed nuclear ("non-fossil fuel") programme. Drains' water privatisation has nothing to do with competition: customers will have a choice between the local water companies' water and bathing in Perrier. Drains' legal labourer, Mr Michael Howard, has therefore been promoting the privatisation as a means of ensuring that the reservoirs and rivers are cleaned up, but the truth is that the new regulatory agency that will oversee this task could have done the same thing under state ownership.

Both these contenders for the Chancellorship will have to show their paces in the new Parliamentary session, as they pilot their enormous privatisation bills through. Both bills are political dynamite. Sparks has to face the great nuclear debate. He has yet to win over the future electricity companies, let alone Tory backbenchers. Drains has the little difficulty of demonstrating the market case for privatisation. After that there will be many arguments about pure water and the potential despoliation of the countryside by what the Opposition will depict as rapacious foreign owners of companies that supply British water.

The way of politics is rough, and the performances of these two on water and electricity could just as easily rule both of them out as successors to Mr Lawson as promote the chances of one of them. Curiously enough, both ministers could aim a little lower, for the Department of Trade and Industry. Mr Parkinson is a known free-trader; he would send a clear open-markets signal to the European Community well in advance of 1992. Mr Ridley's track record on EC matters touching his present department is a trifle chauvinistic, but that may make his move to industry all the more welcome to the Prime Minister. So there is still room for a good juicy reshuffle whether or not Mr Lawson stays on.

LOMBARD

A new world trade deal

By Guy de Jonquières

After the disconcertingly protectionist rumblings which have been emerging from Brussels in recent months, it is good to hear an authoritative voice from the capital of the world's largest trade bloc speaking up for clarity and commonsense

I refer, of course, to Mr Karl-Heinz Narjes, the European Commission's vice president for industry, who this week told an audience in Tokyo that Japan should be made to pay compensation for all the years when its market was closed to European Community manufacturers.

It might seem tempting to dismiss this suggestion simply as another picayune wheeze for putting those bothersome Japanese in their place. But that would be to miss the point. Mr Narjes is a serious man, who would not lightly put his name to hair-brained schemes. He also hails from West Germany, a country deeply committed to free trade.

On the contrary, the Narjes plan is a constructive and breathtakingly original idea. Properly developed, it could build a new foundation for a more equitable and harmonious world economic system – and create employment into the bargain.

Since the EC is profoundly attached to the principle of trade reciprocity and "balanced benefits," it will obviously want the Narjes plan to apply universally to all major trading nations and regions, including itself.

The Community could set the right example and enhance its moral stature by offering to compensate the rest of the world for the 30 years in which it has restricted farm imports and dumped its surplus produce on international markets. The Commission could also order individual EC countries to compensate Japan for the illegal barriers several of them have long maintained against its car exports.

There is plenty of scope to deploy the idea inside the EC, too. West Germany would doubtless feel obliged to indemnify foreign brewers for the loss of business they suffered while it prevented them from marketing their products as beer. And just imagine Mrs Thatcher's satisfaction at being able to claim damages from France for having vetoed Britain's application for EC membership in 1963.

Fairness would dictate that compensation was closely related to the economic loss suffered. That might be hard to calculate exactly. However, the Commission could gain some useful tips from its anti-dumping experts, who have long experience of analysing the economics of unfair trade practices, even when they find it difficult to lay their hands on all the relevant information.

The economic world being full of sinners, many countries' claims against each other would cancel each other out. It would be needlessly complex for the EC, say, to be compensated by Japan for the latter's restrictions on sales of scotch, if the money were then immediately returned as reparations for Japan's lost car exports to France.

Clearly, it would be much more sensible to set up an international clearing house to net out payments. A reconciliation system would probably also be required to adjudicate disputed claims. Such institutions would provide gainful employment for officials around the world and could easily pay for themselves out of a modest levy on the transactions they handled.

But the real beauty of the Narjes plan is that it could be applied not just to past transgressions, but to future ones as well. Any country which contemplated erecting barriers to foreign products would be bound to think twice if it knew it would have to compensate the affected exporters for loss of market access. It would be hard to think of a simpler or more effective formula for keeping the world trade system open.

Mr Narjes's Japanese hosts must have been impressed to discover how brightly Europe's flair for creative innovation still burns. It is unfortunate that he is due to leave the Commission at the end of the year and will not have the opportunity to develop his revolutionary idea further. It can only be hoped that his successors in Brussels will pursue the trail he has blazed.

LETTERS

Doctors foot the bill

From Mr Kieran Murphy.

Sir, Your report (November 15), that the Medical Protection Society proposes to charge doctors in its scheme premia which differ according to speciality, will have serious consequences if – as seems only too likely – the largest medical insurer, the Medical Defence Union, follows suit.

Current rates of just over £1,000 a year represent some 7 per cent of a registrar's post-tax earnings. Figures of £4,000-£5,000 for obstetricians would be some 30 per cent of earnings. It is not intelligent to suppose that junior hospital doctors, required as they are to work hours which would be regarded as unacceptable (or, indeed, unsafe) in many other jobs, will accept such a substantial pay cut.

The effect may be most acute in obstetrics and gynaecology; in this speciality a substantial proportion of junior doctors are female and married. Substantial increases in insurance premia will further tip the balance, for many, in favour of a transfer to general practice, where the costs are lower and the hours less arduous (and more consistent with a family life), even if the work is probably less rewarding.

What can be done about this?

To criticise the insurers is surely wrong; the element of cross-subsidy between different specialities is too large to be forever sustainable.

What is perhaps more surprising is that, in any nationalised enterprise, employees should have to bear their own insurance costs.

This does not apply, for example, to train or bus drivers, who are also responsible for protecting the lives of the general public. It is worth noting that the Government does not generally bother to insure itself or its direct employees in the insurance market, arguing that the terms it could obtain would not be as fine as its own credit.

This view seems not to be extended to the medical profession – *because it is doctors* who foot the bill. But if the Government is not prepared to underwrite the insurance costs itself, it would be a mistake for it to allow doctors to take a substantial pay cut.

Unfortunately, given the Government's public sector pay policy – which is allegedly determined by demonstrable problems of recruitment and retention – it seems only too likely that the problem will have to materialise before the Government is willing to tackle it. Here, as elsewhere, *lip service will be paid to preventive medicine.*

Kieran Murphy
65 Fordel Road, SE6

Mature students will suffer

From Mr Philip Wright.

Sir, Given the Government's stated concern to broaden access to higher education, I was expecting any new student funding proposals to give special consideration to the position of mature students.

As they are, the new proposals seem bound to deter many such potential students from seeking to enter higher education.

While it may seem reasonable to expect somebody leaving higher education in their early 20s, with their whole working life in front of them, not to be deterred by the prospect of repaying a loan, a mature student's position is quite different.

Typically, mature students complete higher education in their 30s or 40s; thus the burden of the loan during their working lives prior to the age 50 cut-off point will be proportionately greater.

Mature students generally have commitments which 18-year-olds do not; for example, families and homes to maintain. Here, the proposed withdrawal of state benefits (apart from child benefit and refunds of dental and medical charges) is particularly pernicious, as your editorial (November 10) suggests.

Employers' current attitudes to recruitment of mature graduates mean that mature students take much more of a risk in entering higher education. If they are unable to get a job, or only a poorly-paid one, after graduating, they face the prospect of a cumulating index-linked loan.

Many potential mature students are already disadvantaged before they start their studies; a loan system will certainly seem a deterrent from their point of view. At the University of Sheffield, for example, about 50 per cent of our mature access programme intake is on income support or very low income, and many are single parents.

The proposed new student funding system is inequitable and biased against mature students. It threatens to undo, at a stroke, much of the hard work being done throughout the UK to encourage adults back into higher education.

At the University of Sheffield it particularly threatens our new science and engineering access programme initially linked to a new four-year degree provision in the faculty of engineering. Moreover, the proposed new funding system does not even offer a palliative in the form of support for part-time study.

Philip Wright,
The University of Sheffield,
Centre for Extension Studies,
85 Wilkinson Street,
Sheffield, South Yorkshire

Road taxes as revenue

From Mr Thomas E. Whittle.

Sir, Harald Tobermann (Letters, November 10) fails to acknowledge that road taxes are a very important source of revenue. They are second only to income tax, national insurance and, perhaps, value added tax (VAT).

Only a quarter of vehicle taxes is spent on road construction and maintenance. Perhaps this may not include the (relatively) small cost of policing, but neither does road taxation (licences and fuel) include VAT on vehicles, spares and servicing – a large and important item of revenue.

Why should vehicle drivers be required to subsidise public transport? Why indeed should road users have to subsidise commuters travelling to work? What is "sensible" about one traveller subsidising another? However concessionary fares for the elderly, paid for by ratepayer and taxpayer, should be uniform, countrywide.

Pollution of the atmosphere is caused by the combustion of all fossil fuels, from electricity generation to home heating, rail and road traction. Action is being taken to ameliorate only two sources: electricity and road fuel.

And in regard to hospital and emergency services, road accidents are caused by pedestrians and cyclists as well as drivers.

Almost half the pedestrian casualties are reported to have been consuming alcohol, and may be over the "limit". Motorways, where there are no pedestrians, are by far the safest per 100 passenger-miles.

Thomas E. Whittle
19 Kildoon Drive
Maybole, Ayrshire
Scotland

Retail rents rise sky-high

From Mr Sidney Burstein.

Sir, I hope that your newspaper can use its influence to curb excessive retail rents being extracted by landlords.

For example: in 1970, in central London, the rent for a South Molton Street building of 4,000 square feet was approximately £4,000 a year. Rents now asked for similar accommodation are between £130,000 and £150,000 a year.

In South Molton Street alone – representative of trends in all important shopping areas – we are losing individual shops which also represent a tourist attraction. In the last five years we have lost a coffee shop which manufactured its own blends, four restaurants, and many speciality shops. They simply could not make their businesses pay under existing legislation covering the rent reviews.

The latest position is that a leading hairdresser, paying £55,000 for approximately 4,500 square feet, is now being asked for more than £200,000 a year. One of the few restaurants left in the street, now paying £45,000, has been asked for an increase of £138,000.

Unless some form of legislation based on the index cost of living is put in place, the UK will have an economic disaster. Property has been an inflation leader for as long as I can remember. Apart from inflation, high rents are creating a very bad mix of shops.

The policy of letting rents fit the market level is not working. Repercussions will affect the retail industry, employment will suffer and there will be widespread bankruptcy.

Sidney Burstein,
Browns,
23-27 South Molton Street, W1

FINANCIAL TIMES
Friday November 18 1988

Reagan calls for Canadian trade ratification

By Lionel Barber in Washington

PRESIDENT Ronald Reagan yesterday issued a strong appeal for the ratification of the US-Canada free trade agreement, the fate of which hangs on next week's Canadian general election.

Mr Reagan said the pact was a testament to the commitment of the US and Canadian governments to the principles of the open market and to economic co-operation, providing a catalyst for the rest of the world trading system.

"The US believes that the future belongs to those who lower trade barriers," he told the US Chamber of Commerce Foundation.

The free trade agreement has become the central theme of the Canadian election campaign. Canadian Prime Minister Brian Mulroney and his Conservative Progressive Party face a tough job on Monday in securing the parliamentary majority they need to secure ratification of the pact.

Mr Reagan said: "Every time countries . . . have taken a step together toward freer trade, the results were more productive and competitive economies, more jobs and greater benefits for the citizens of each country."

Mr Reagan also used the occasion to outline the US agenda for the mid-term review of the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) next month in Montreal.

The main US proposals include agriculture, intellectual property protection, services, investment and dispute settlement.

On agriculture, Mr Reagan acknowledged that talks had proved difficult, but he repeated that Washington was prepared to be flexible about adjusting timetables for ending subsidies, provided other countries agreed an adjustment plan with specific dates.

All eyes east, Page 9

Indians follow the warpath to Wellington

Dai Hayward reports on an appeal for the protection of British Columbia's forests

CANADIAN Indian chiefs are on a warpath all the way from Vancouver to the floor of the plush Michael Fowler convention centre in Wellington.

Chiefs from the Mount Currie and Lytton Indian Bands appealed for help from the shareholders of New Zealand's largest company, Fletcher Challenge, in their fight to stop proposed logging of the Stein Valley wilderness area east of Vancouver, Canada, and the felling of forest areas on Vancouver Island.

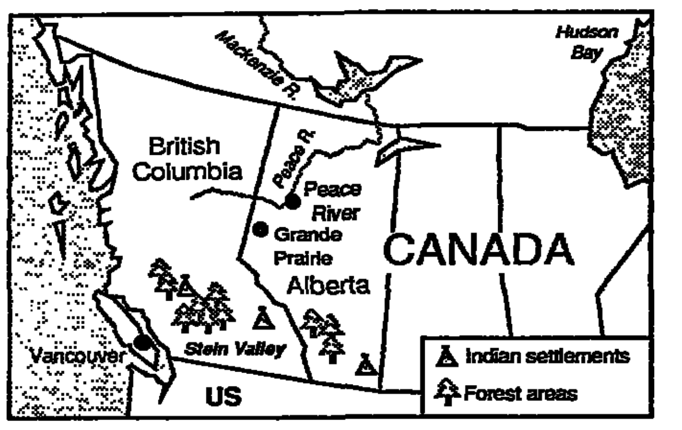
The chiefs went to New Zealand because the company's Canadian subsidiary, Fletcher Challenge Canada, is at the centre of a long-running dispute between conservationists, including the Indians, and the provincial governments.

The chiefs asked the company to stop work on a new logging road into the Stein wilderness area until agreement was reached between the Indian bands and the provincial government. If not, they warned, there would be "confrontation and war."

They did not get the undertaking they wanted from the company directors, but they did receive a warm and attentive hearing from most of the 1,500 shareholders present.

Chief Ruby Dunstan, a grandmother, described emotionally and eloquently how the forests of the Stein Valley – hitherto untouched by the logger's axe – have been the ancestral home of the Lillooet Indian tribes for 7,000 years.

"They are our traditional homelands. We never signed any treaty. We were never beaten in war. We never made any agreement with the Government which would abrogate our rights. We want to maintain our forests in their natural wilderness state."



When Fletcher Challenge bought the Vancouver-based lumber company Crown Forest Industries it also bought into the Canadian conservation confrontation. Later it acquired British Columbia Forest Products and earlier this year merged the management of these into Fletcher Challenge Canada. This is now the second largest forest products group in British Columbia and the target for many conservation protests.

Its pulp and paper-making, saw milling and logging operations have combined sales of C$2.5bn ($2bn). This and the company's other North American operations, including home building, provided a record profit of NZ$255m ($163m) towards FCL's overall tax paid profit of NZ$532m last year.

The Stein valley is a 106,000 hectare valley east of Vancouver where Fletcher Challenge wants to take up logging rights granted by the Government. If logging goes ahead, FCL plans to cut 9 per cent of the trees. It claims that as many as 400 jobs will be lost if logging is banned. The British Columbia Government has granted a logging licence spread over 30 years.

Following the Indian and other opposition, FCL has joined with other logging interests to propose a "share the Stein" scheme. But the Indians claim that building a road into the heart of the wilderness and clear felling (logging all the trees in a block) large tracts would destroy the natural ecology and the habitat of a number of threatened wildlife populations, including grizzly bear and moose. The Indians want an absolute ban on all logging.

Fletcher Challenge has also been drawn into a clear felling argument on Clayoquot Sound on Vancouver Island. To stop forestry road building and logging by a contractor employed by Fletcher Challenge, protesters this year tied themselves to trees, set up human barricades and interfered with blasting operations.

Fletcher Challenge was granted a court injunction ordering the protesters to stop their disruption. Some who ignored this order were jailed for contempt of court.

Logging operations on Clayoquot Sound are permitted under a government tree farming licence granted to British Columbia Forest Products in 1955 – a quarter of a century before Fletcher Challenge took any interest in the area.

About 95 per cent of the forest land in British Columbia is owned by the Crown, which controls logging by issuing the tree farming licences. These licences stipulate where a company can log and how much timber it must mill each year.

Over the past few years tourism, much of it attracted by the forests, has developed significantly and the tourist operators and conservationists have joined the Indian tribes protesting against clear felling. The bare logged landscape is unsightly and deters tourists.

Fletcher Challenge's Canadian manager, Mr Ian Donald, conceded at last week's shareholders' meeting that clear felling "ruins the viewscape."

The protesters want selective logging where small numbers of trees are removed, leaving many others standing. The forestry men claim this is not economical and Fletcher Challenge Canada has proposed a modified form of clear felling to reduce the area cleared of trees by 45 per cent. The company also says that with one exception the cleared areas would not be visible from the waters of Sulphur Passage, one of the popular waterways for tourists. After logging they would also be replanted.

Fletcher Challenge Canadian executives claim they have demonstrated their sensitivity to the needs of tourism and the feelings of conservationists. Their proposed method of future operations will be even more in tune with the conservation lobby, they say.

At its annual meeting the company claimed that, as the owner or licensee of millions of hectares of forests around the world, it strives to balance the needs of conservation, economic, recreation and amenities on all land use.

The company suggests that multiple use of the Stein Valley will benefit all parties, a suggestion rejected by the Indian chiefs. In an open letter distributed to shareholders the Indian delegation said the New Zealand shareholders had a responsibility to the people of British Columbia and urged them to write to FCL's chief executive, Mr Hugh Fletcher, opposing "the exploitation of British Columbia and its forests.

"The spiritual and physical footprints of our ancestors are evident for all to see throughout the Stein Valley, which is like the pages of a book upon which thousands of years of our history are written. Fletcher Challenge must accept the lion's share of responsibility for a just resolution of this conflict," the Lillooet chiefs told the New Zealand shareholders.

THE LEX COLUMN

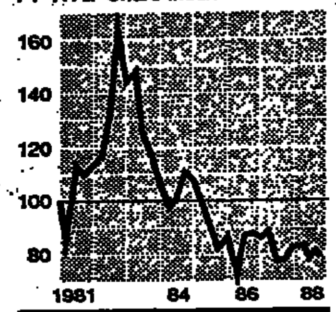
A glimmer of sense about buyouts

It may be too early to say that the $20bn buyout of RJR Nabisco is coming unglued, but there are increasing outbursts of sanity over the whole affair. The most sensible-sounding of the bidding consortia, headed by Forstmann Little, quietly slipped away earlier this week; and now America's third biggest institutional investor, Metropolitan Life, has joined ITT in suing RJR over the collapse in its bond values. Amid background rumour that the banks are starting to jib at the whole enterprise, KKR and Shearson are looking increasingly lonely on their respective pinnacles.

To an extent, Metropolitan Life's objections are hokum. Besides the fact that RJR's bonds were never guaranteed against this kind of event risk, Metropolitan has twice invested in KKR buyout funds in the past, to a total of some $1bn, and as a holder of 168,000 shares in RJR will have made a partly offsetting profit through the rise in the stock. But to the extent that the US institutions publicly complain about the effect of buyouts, they weaken their own position in financing them. RJR could yet prove a high water mark in the whole buyout movement.

Beecham

Share price relative to the FT-A All-Share Index



Burton

Burton's market image would no doubt benefit more from setting a few trends in retailing rather than corporate finance. But in the current climate, one takes what one can get; and the opportunity to keep some £6.5m in provisions out of yesterday's figures by restructuring a troublesome convertible bond issue was too good to pass up.

The market would not normally applaud this kind of cleverness from Sir Ralph Halpern – even when it looks to be not only clever but sensible as well. But yesterday, it had more to worry about than the level of Burton's interest bill in 1992. Nobody should have been surprised to find that sales growth in Burton's core businesses was more or less flat in the second half; but judging from the 3½ per cent drop in the share price, they were surprised nonetheless. And with Debenham's obviously doing well, Sir Ralph's refusal to say anything much about its profitability only served to raise extra worries about the profitability of the rest.

Sir Ralph can claim, with some justification, to have spotted the retail slowdown quicker than some and taken steps to prepare for it. But Burton's fashion focus puts it on the retail front line; and while the group's profits should continue to grow at least modestly this year, Sir Ralph's performance-related paypacket could well slim further yet.

Royal Insurance

Given that Royal's full year profit prospects took something like a £100m hit yesterday morning, the market seems to have held its nerve fairly well over the company's shares. Royal stock fell 3 per cent on the day, after news of a surprise $200m provision for some aged US claims. But overall, the market seemed inclined to view the move as better late than too late. True, some US insurers spotted the claims trend sooner, and provided for it earlier; but at least Royal came round in time to make the provision while profits can still stand it, rather than next year when they might well not be able to. By then, the US should be well and truly into the doldrums and UK growth will have slowed – scarcely the time to be making lumpy provisions.

In the short term, highlighting Royal's involvement in the US can be no good thing for the shares in a market which is so worried about the American cycle that it is inclined to see all US news as bad news. But with the shares trading at their lowest level relative to the market for a couple of decades, a prospective yield of something like 8 per cent is no mean support.

William Collins

The last time Mr Murdoch bid for William Collins it ended in an ugly stalemate, so it is puzzling that he has not tried harder to win approval for his latest offer. Admittedly, Collins' list of distinguished authors cannot be relied upon to be as bolshy as before, but a prospective exit multiple on the voting shares of around 15 times earnings is roughly half the going rate for publishing properties. It is hardly the sort of offer which will win the support of the institutions, and its hostile nature may well have jeopardised a rather fruitful business partnership.

Given that Mr Murdoch already owns 42 per cent of the voting shares, he could theoretically win control for as little as £10m. But this can hardly be the reason, and the suggestion that he needs to consolidate Collins' cash flow is equally irrelevant. Maybe the offer is intended to flush out a rival bid from someone prepared to pay over £10 a share for control, such as Reed. Much more likely is the probability that he wants to shake up Collins management, which should have learned by now that Mr Murdoch can never be dismissed as a passive investor. Even if he does not increase his offer, he will have succeeded on this score.

Beecham

Beecham has come a long way since its nadir three years ago, but the market still finds it a puzzle. This is perhaps because the recovery has been a patient and undramatic affair: no blockbusting drugs, no big acquisitions, but a quiet programme of disposals, margins improvement and increased investment in research and brands. It could be a recipe for dullness, but yesterday's interims seem to show it working in detail: sales up 12 per cent, advertising up 14 per cent, R&D up 18 per cent, profits up 22 per cent. It would be sound stuff from a pure drug company, and is the more so from a group with half its sales in toothpaste and Lucozade.

Margin improvement being finite, the question is how the present growth rate in earnings of around 15 per cent is to be sustained. One answer might be acquisitions, presumably on a discreet scale. The market is edgy about big acquisitions for paper, but it is worth recalling that Beecham's net cash pile – headed for £350m by the year end – is nearly as big as Glaxo's in relation to market capitalisation. At 465p, though, the shares are on nearly 12 times earnings, so the scope for improvement looks appropriately modest.

Mitsubishi warns Spain on $1bn contract

By Peter Bruce in Madrid

MITSUBISHI Corporation, the giant Japanese industrial conglomerate, has warned the Spanish Government that continued Japanese investment in Spain may suffer if, as is expected, Madrid awards a $1bn contract to supply it with high-speed trains and high-powered locomotives to France and West Germany for political rather than commercial reasons.

Mitsubishi, Alsthom Atlantique of France and Siemens of West Germany are leading competing consortia to supply the Spainsh railway system with the trains and locomotives and it is widely assumed that although the Japanese bid is some 30 per cent lower than the other two, it is not being seriously considered.

The Spanish Government, which recently delayed awarding the contract, is thought likely to divide it between the two main European Community contenders, giving the 24 high-speed trains to the French and some 75 high powered locomotives to the Siemens consortium in order to satisfy its two most important European political and economic partners.

In a statement issued to the Spanish news agency in Tokyo, Mitsubishi says that such a move would "demonstrate that the Spanish Government does not respect Japan." According to the news agency, the statement warned that if the final decision was not impartial, "it is possible that in the future Japan will not be able to regard Spain as an impartial partner and many important Japanese companies will strike the country from their lists of markets capable of receiving their investments."

Direct Japanese investment in Spain last year totalled Pta725bn ($6.3bn), an 82 per cent increase on 1986. The Japanese have major investments in the Spanish motor industry but the offer to sell an updated version of the Shinkansen (Bullet Train) to the Spaniards has been fated from the start by the Government's need to accommodate the French in particular, who have offered the TGV.

Spain is going to rely heavily on France in the years leading up to the Barcelona Olympics and the World Fair in Seville in 1992 to help stamp out Basque terrorism and it is regarded in Madrid as highly improbable that the French, however expensive their bid is, will be ignored. The Bonn Government, for its part, has written to Mr Felipe Gonzalez, Prime Minister, warning that failure to award West Germany a role in the contract would damage relations between the two countries.

A final decision on the contract was expected in late October but was delayed at the last moment to enable to Government to decide whether to change the gauge of Spanish railway lines and enable the new trains to operate on a pan-European basis. A rapid study by the railway monopoly is expected to be completed this week but a final decision on the trains could still be some weeks away.

Italy's top union leader forced out of office

By John Wyles in Rome

MR Antonio Pizzinato, the 56-year-old leader of Italy's largest trade union confederation, the CGIL, yesterday became its first secretary-general ever to resign his mandate following a rising tide of criticism of his leadership.

The CGIL's directorate of about 170 members is expected to accept his resignation on Monday and to begin the unfamiliar process in such circumstances of choosing a successor to head the 5m-member confederation. The process could trigger a damaging battle between the union's rival Communist and Socialist factions, although the Communist domination guarantees that he will be one of their number.

The early favourite is Mr Bruno Trentin, 62, a left-winger who has moved closer to the centre in recent years. As former leader of the union's metal mechanics section he was regarded as the natural successor in 1986 to Mr Luciano Lama, the former, charismatic, secretary-general. However, Mr Lama was instrumental in securing Mr Pizzinato's election.

The departing leader is seen as paying the price for a steady decline which began before he took office but which he has seemed powerless to arrest. He has struggled to cope both with the union's internal divisions and savage rank-and-file rebellions by railway drivers, airport workers and teachers battling for sectional interests.

When negotiations on a pay deal at Fiat became a CGIL fiasco in July his critics began to move against him.

His decision, which he described yesterday as "an act of transparency and clarity towards workers and CGIL members," has seemed unavoidable since late October when key Communists in the union's leadership began moves to unseat him. His position became dependent on Socialist support which evaporated this week when his Socialist deputy, Mr Ottaviano Del Turco, appeared to support a Trentin succession.

Power struggle looms, Page 3

Lithuanians threaten to join Baltic revolt

Continued from Page 1

leader who left on a trip to India yesterday, declared that the Estonian demands "affect the initial principles of the building and unity of the Soviet Socialist Federation," and announced that the issue would be discussed at its next meeting. Estonian representatives would be invited to attend.

The Baltic revolt, which could also include Latvia, the Supreme Soviet of which meets next week, has gone ahead in spite of visits to the region by three leading members of the Politburo last weekend.

Three mass movements in the republics, Popular Fronts for Perestroika in Estonia and Latvia, and the Movement for Perestroika in Lithuania, have effectively compelled the leadership of the local Communist Parties to support their demands, which appear to enjoy massive popular support.

In Estonia, about 900,000 people signed a petition rejecting Mr Gorbachev's constitutional reforms, in spite of the fact that they are intended to make Soviet life more, not less, democratic.

Their key objections concern the creation of a Congress of People's Deputies, which will in turn elect the USSR Supreme Soviet, and an executive president for the country.

They claim that the congress will be undemocratic because, in addition to direct elections, many deputies will be nominated by trade unions and other public organisations. This will give certain groups two votes and dilute the influence of those deputies representing the nationalities of the Union.

The congress will also have sweeping economic authority, which the Baltic protesters claim will conflict with plans for regional economic autonomy, or regional self-finanacing, as promised by the Soviet leadership.

Mr Gorbachev has sought to calm the revolt by promising a plenary meeting of the Communist Party Central Committee in the middle of next year. However, the Estonian deputies clearly believed this was inadequate.

Among the changes they adopted in their own constitution was guarantee of "judicial protection of constitutional rights," inclusion of "personal, private and mixed property" alongside the "socialist ownership of property" in the republic and, most controversial of all: "The right to stop or determine the scope of application of a USSR legislative . . . act if it violates the sovereignty" of the Estonian republic, or if it "does not take into account the peculiarities of the republic."

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Dubrovnik	S	12	54	Malta	S	16	61	Rhodes	S	14	57
Algiers	S	23	73	Edinburgh	C	09	48	Manchester	S	11	52	Rio de J'o	C	31	88
Amsterdam	C	05	41	Faro	F	20	68	Manila	F	33	91	Rome	F	18	64
Athens	C	10	50	Florence	S	13	55	Melbourne	C	15	59	Salzburg	S	10	50
Bahrain	F	25	77	Frankfurt	F	12	54	Mexico City	F	28	83	San Francisco	C	16	61
Bangkok	F	30	86	Funchal	C	18	64	Miami	C	27	80	Seoul	F	08	46
Barcelona	F	15	59	Geneva	C	08	46	Milan	C	08	46	Singapore	R	31	88
Beirut	C	20	68	Gibraltar	C	19	66	Montreal	C	13	55	Stockholm	C	05	41
Belfast	C	12	54	Glasgow	C	10	50	Moscow	C	-3	27	Strasbourg	S	07	45
Belgrade	F	05	41	Guernsey	C	13	55	Munich	S	08	46	Sydney	R	20	68
Berlin	F	10	50	Helsinki	F	04	39	Nairobi	C	24	75	Taipei	R	21	70
Biarritz	S	19	66	H Kong	C	23	73	Naples	F	15	59	Tangier	F	21	70
Bombay	S	32	90	Innsbruck	S	08	46	Nassau	F	29	84	Tel Aviv	S	20	68
Bordeaux	S	08	46	Inverness	C	06	43	New Delhi	F	29	84	Tenerife	F	24	75
Brussels	F	15	59	Islamabad	F	27	81	New York	F	16	60	Tokyo	C	15	59
Budapest	C	08	46	Istanbul	C	08	46	Nice	S	18	64	Toronto	C	17	63
B Aires	R	23	73	Jakarta	R	33	91	Nicosia	R	18	64	Tunis	C	17	63
Cairo	S	21	70	Jersey	D	12	54	Oporto	S	18	64	Valencia	S	19	66
Cape Town	S	31	88	Jo'burg	C	21	70	Oslo	C	01	34	Venice	C	10	50
Caracas	C	26	79	Lima	C	21	70	Paris	C	13	55	Vienna	C	06	43
Casablanca	C	18	64	Lisbon	F	20	68	Peking	S	11	52	Warsaw	C	03	37
Chicago	C	11	52	London	C	13	55	Prague	S	08	46	Washington	R	13	55
Cologne	S	10	50	Los Angeles	C	19	66	Reykjavik	F	-1	32	Zurich	S	07	45
Copenhagen	C	09	48	Luxembourg	Fg	03	37	Readings at mid-day yesterday							
Corfu	S	14	57	Madrid	F	13	55								
Dallas	S	03	38	Majorca	S	21	70	C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain							
Dublin	C	13	55	Malaga	S	21	70	S-Sun Sl-Sleet Sn-Snow T-Thunder							

Bhutto seeks sanction

Continued from Page 1

mentalist parties also fared badly.

The Sindhi Nationalist Movement was unable to win a single seat in Sind, but the Baluch National Alliance emerged as the major party in Baluchistan winning six seats.

Because national leaders including Ms Bhutto and Mr Nawaz Sharif, won elections in more than one constituency, there will have to be several by-elections after they choose which constituency to represent.

As the results trickled in Ms Bhutto told reporters that voters "have given a mandate for democracy, dignity . . . justice and technology."

While Ms. Bhutto stayed in her villa in the southern Sind province on Thursday to follow the results, about 5,000 supporters gathered in the streets outside, dancing in jubilation and chanting "Benazir, Prime Minister" and "Long live the People's Party."

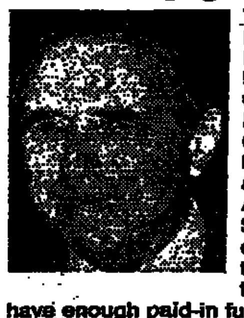
FINANCIAL TIMES
COMPANIES & MARKETS
Friday November 18 1988

INSIDE

Siemens shows new streak of adventure

The involvement of Siemens in this week's bid for Plessey, the UK defence and electronics group, reveals a new streak of adventurousness in one of West Germany's most solid and respectable blue chip companies. It also shows that bids, even messy ones, are now a key route to expansion in Europe's crowded telecommunications market. Plessey, for its part, yesterday announced interim pre-tax profits up 10 per cent, at the lower end of expectations. Page 28

Maiden voyage for bank lifeboat



The rescue of the small Italian bank Cassa di Risparmio di Prato has brought criticism of the Governor of the Bank of Italy Carlo Azeglio Ciampi (left) and the lifeboat plan created to avoid another Banco Ambrosiano collapse. Several banks have objected to contributing to Prato lifeboat while the rescue fund does not have enough paid-in funds to hand over the rescue package in one tranche. Alan Friedman describes "a cautionary tale for the Italian banking system". Page 27

Upbeat start to Indian new year

The start of the new financial year in India has been greeted with a rush of stock market buying taking the BSE-30 share index to a new peak. The first day of trading in the new year is thought to set the pace for the rest of the year and this week saw the gradual return of private investors to the market. Since August the market's capitalisation has jumped more than a third with more than 600 companies now listed. R C Murthy reports. Page 48

Beefing about EC production

Trying to understand the European beef market is a perilous task but proposals under discussion by the European Council of Ministers this week could restore the balance between output and demand while providing a reliable safety net for small producers. For once the political timing may be right but no one doubts that tough talking and hard bargaining lie ahead. Tim Dickson reports on the latest developments in Brussels. Page 45

Attack on Soviet farm waste

The Soviet Union's huge 77bn rouble ($126bn) investment in upgrading its agriculture may be wasted if the spending is left to government ministries, a leading Soviet agriculture researcher warned yesterday. The billions should be spent by local bodies if wholesale waste of resources is to be avoided and the maximum benefit is to be achieved, he warned. Quention Peel in Moscow looks at the latest push in the drive for agricultural efficiency. Page 45

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Gal Lafayette	1335	+	85
MAN	218.5	+	3.7	Matra	224	+	8
Henkel	492	+	8	Falls			
Falls				Sligos	880	−	44
Lufthansa	142	−	4	Luchaire	299.1	−	3.9
Nixdorf	390.8	−	9.7	Radiotech.	645	−	23
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Gen. Signal	47⅞	+	4½	Nihon Park.	1300	+	200
Vesco Instr.	24¾	+	1⅞	Dai Nippo Toryo	1360	+	200
Interco	64¾	+	1⅜	Sanko Metal	726	+	95
Falls				Falls			
ConAgra	27⅝	−	1⅛	Yokogawa Bdge	1500	−	120
Holly Farms	51⅞	−	⅞	Itoki Kosak	1390	−	110
RJR Nabisco	82½	−	1½	[illegible] Sogo	1070	−	70
PARIS (FFr)							
Rises							
Ausserdat-Rey	579	+	22				
LONDON (Pence)							
Rises				Mt. Charlotte	165	+	6
BAT Inds.	444	+	6	Scholes (GH)	275	+	55
Beecham	465	+	10	Ultramar	248	+	13
Boots	232½	+	7	Unigate	298	+	8
Brit. Telecom.	254	+	7	Utd. Biscuits	287	+	8
Capital Radio	486	+	42	Falls			
Collins (Wm.)	685	+	142	Burton	190	−	7
Davy Corp.	163	+	10	Irish Dist.	385	−	39
Fisher (A.)	182	+	5	Royal Ins.	398	−	11
Foster (J.)	141	+	5	Unitech	212	−	9
Glaxo	£10⅞	+	⅜	Wood (JD)	105	−	18
Grand Met.	458	+	11				
Lonrho	408	+	27				

Nestlé to end foreign shares discrimination

By William Dullforce in Geneva

NESTLE, the multinational foods group, yesterday became the first big Swiss-owned company to abandon the national discrimination against foreign shareholdings by opening its registered shares to purchase by foreign investors with immediate effect.

The decision caused widespread confusion among the company's foreign investors, who are currently limited to holding bearer shares. These have the same par value and voting rights as the registered shares, but Nestlé can refuse to register them, in which case they would lose their voting rights.

After the news the bearer shares traded between SFr5,900 and SFr7,250 in London and New York after closing at SFr8,745 in Zurich as foreigners feared the shares would fall to the level of the registered shares. These closed in Zurich at SFr4,320, up SFr10, but were quoted later in London at about SFr6,000.

Nestlé's board will also propose a capital increase "at attractive conditions" in both registered and bearer shares next spring.

Mr Reto Domeniconi, finance director, said the share register move had been under discussion for more than two years and was not directly prompted by the furore aroused in the UK over Nestlé's £2.55bn takeover of Rowntree.

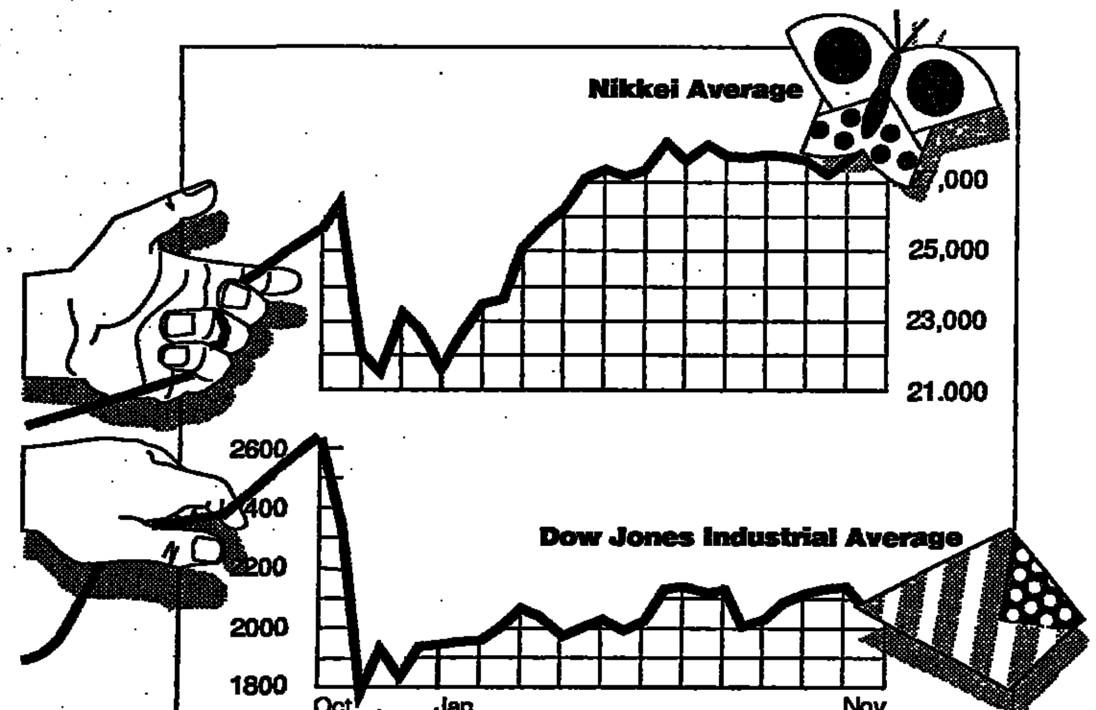
British attempts to block the takeover focused on the immunity of Nestlé and other Swiss companies to similar takeover. However, Mr Domeniconi said, "we recognised that there was a contradiction between being multinational in our behaviour and national in our share control."

There was also a strictly practical motivation. Nestlé's access to capital markets was restricted by the differentiation between registered and bearer shares.

Currently Nestlé's registered shares trade at about seven times earnings while the bearer shares are at 15 times earnings.

In a first step, effective from yesterday, the board is allowing foreigners to buy registered shares, but is limiting the number that can be held by any one shareholder or syndicate to 3 per cent of the issued registered shares.

At the next general meeting of shareholders the board will propose that the 3 per cent general limit on the holding of registered shares and a voting limitation to 3 per cent of the total capital for each shareholder be incorporated into the statutes.



Oh so sober and as high as a kite

Stefan Wagstyl explains why a buoyant Tokyo stock market has failed to lift the sombre mood of brokers

THE TOKYO stock market has marked the election of Mr George Bush to the White House by soaring to record levels. The Nikkei index closed yesterday above 29,000 for the first time.

However, Japanese brokers were in no mood to celebrate the event with anything more than a quick beer in the bar before catching the train home.

Tokyo is in a sombre mood at the moment. Politicians and businessmen alike are bogged down in the most serious financial scandal in years. Moreover, with the Emperor critically ill, companies are cancelling New Year parties as a mark of respect. There is little of the traditional end-of-year sparkle in the city.

In any case, there is a nervous undercurrent in the market, which leads some analysts to suggest that the present rally may not have much further to go in the short-term. About 30,000 is seen as reasonable target for the Nikkei index by the end of the year; 32,000 is regarded as daring.

Investors are more than satisfied with the Japanese economy, which is in the midst of a season of bumper interim results from Japanese companies. But they are very concerned about what might happen next in the US.

Mr Teizo Taya, a senior economist at Daiwa Research Institute, says: "Tokyo is once again acting like the sheet-anchor for the world's markets."

In the time since the polls closed in the US Presidential election, the Nikkei index has risen 3.8 per cent, while the Dow Jones has fallen. The gap is even wider than it appears, with the US dollar falling to its lowest levels since January.

Anyone who had any doubts about the scale of the Federal and trade deficits got a sharp reminder on Tuesday in the shape of the US trade figures for September, which showed that it is likely to be a long, hard slog before Americans start solving their problems by spending less and saving more.

As a result there is little surprise in Japan, that domestic and foreign investors alike have decided that Tokyo is the safest place to be.

The volume of trading in the market – low throughout the summer – has recovered strongly. Stockbrokers saw a sharp jump at the end of October, when 1.7bn shares were traded every day of the last week, compared with a September daily average of 880bn. Turnover has since eased, coming in at 881bn yesterday. But another reassuring trend has taken root – trading, which had been concentrated in the top 10 shares, has broadened out. This is a sign of investor confidence because smaller shares are often less liquid.

Private investors, who shunned the market in the summer, have stopped selling their holdings. Foreign investors, both American and European have been active buyers.

There are sound reasons why investors are putting their trust in Tokyo. For a start, a flood of new issues which depressed the market in the summer and early autumn has dried up. After a peak last month of some Y4,000bn ($32.5bn) – including the sale of government-owned shares in Nippon Telegraph & Telephone – the total this month could be Y400m, with even less in prospect in December.

Next, the focus of the Recruit financial scandal, in which leading politicians are heavily implicated, has moved away from the stock market and towards the Diet. The slim possibility that the Government might be forced to introduce a more effective capital gains tax than that which is proposed in the bill now before the Diet has disappeared.

The Emperor's illness cast a long shadow over the market when he fell sick on September 19. Since then, the Japanese have grown used to the thought that even if his death is imminent, life in general must go on, albeit soberly. (Nevertheless, it is impossible to predict the impact of what Japanese call X-day).

Finally, the the stock market continues to be firmly underpinned by the economy. Worries about inflation, which depressed equities in the summer, have been dispelled by the fall in oil prices and a recovery in the yen from a brief decline against the dollar in the summer.

Many Japanese investors never seriously believed the yen would stay weak for very long – given that it was pushed down largely by Government action in the wake of the Toronto summit of leading industrialised countries.

When the dollar started falling in early October from above Y134, concern about inflation vanished in Japan and bonds rallied sharply, taking the yield on the benchmark long bond from 5.4 per cent to 4.62 per cent yesterday.

Where bonds go equities usually follow. Investors looking for excuses to buy equities have had to look no further than a string of strong results reported by companies announcing interim figures for the financial year which started in April.

Fuelled by the strength of expanding domestic demand, companies have been reporting further increases on last year's record profits. For example, parent company pre-tax profits were 147 per cent up at Mitsubishi Electric and 139 per cent higher at Toshiba.

Sony's profits rose 118 per cent, prompting a Y240 increase in the shares yesterday (the day after the announcement) to Y6,220. Mr Ron Napier, research manager at Salomon Brothers, says good results were expected. "But this has astonished people."

Daiwa Research Institute is busy upgrading its forecast profits increase for the year for the top 100 companies from 24 per cent to 28 per cent. All is set fair for real economic growth of about 5 per cent this fiscal year and 4.5 to 5 per cent next year.

Stockbrokers feel all this good news should be enough to take the Nikkei average from yesterday's close of 29,076.81 to over 30,000 by the end of the year. But few were confident to say it would be much higher than that by the end of December.

Any clouds on the horizon are on the US side of the Pacific. Japan sees little danger in a continued slow appreciation of the yen – say to Y115 to the dollar by the middle of 1989.

Most exporters have long learnt to live with the currency at these levels, adjusting by producing goods (especially electronics) which few competitors can make. Cheap imports meanwhile help almost everyone.

But Japanese economists are seriously worried about the danger of another sudden fall in the dollar which might send financial markets crashing. Tokyo would inevitably be hit by the fall-out.

GrandMet presses Irish bid despite ruling

By Lisa Wood in London

GRAND Metropolitan of the UK yesterday signalled its determination to press ahead with its bid for control of Irish Distillers in spite of a decision by the Takeover Panel in Britain which left Pernod Ricard, GrandMet's French rival, apparently in control of the whiskey producer.

The Takeover Panel, in a 40 page document, said that although Pernod had breached the Takeover Code in winning the support of some Irish Distillers shareholders, this was not sufficiently serious to ask the French drinks group to release those shareholders from their undertakings to accept the offer.

GrandMet immediately took the rare step of seeking leave from the Panel to appeal to its Appeals Committee.

The Panel will hear GrandMet's submissions on Monday.

GrandMet, whose offer of I£5.25 ($8) per share values the whiskey group at I£332m, continued buying Irish Distillers shares yesterday, taking its stake from 25.11 per cent to 27.8 per cent.

Warburg, the merchant bank advisers to GrandMet said yesterday: "The game is not over yet."

The politically sensitive battle for the Bushmills distiller, in its 168th day yesterday, is already the longest running battle in recent UK takeover history.

As well as the Panel, it has involved the European Commission, the Irish Supreme Court and the Irish Government.

The latter has yet to give a green light to either bid.

Pernod had appealed to the full Panel against a ruling by its executive committee that it breached Panel rules in gaining irrevocable acceptances from Irish Distillers shareholders for its proposed offer of I£4.50p per share – a counter bid to GrandMet's original offer of I£4 per share.

On the weekend of September 3 and 4 Pernod, with the assistance of Irish Distillers, gained irrevocable undertakings which enabled it to command 53 per cent of the group before it made its I£4.50 per share offer.

GrandMet argued that a number of rules in the Takeover Code had been breached and that shareholders should be entitled to reconsider their decisions in the light of its later I£5.25 offer.

Battle For control of Pillsbury, the US foods group, Page 22.

ABB moves for control of Franco Tosi assets

By Alan Friedman in Milan

ASEA BROWN Boveri (ABB), the Swedish-Swiss maker of power generators, is to acquire majority control of the directly held industrial assets of Franco Tosi, an Italian maker of steam turbines, boilers and turn-key power plants.

The price of the transaction has yet to be fixed, but it is believed that ABB could eventually pay between $300m and $350m to Franco Tosi SpA, the quoted company which is itself 63 per cent owned by Italmobiliare, another quoted Italian group that is in turn controlled by the Pesenti family.

For ABB, the deal represents a major strengthening of its activities in southern Europe. For Franco Tosi the deal will provide a partner that is able to supply the technologies that are currently obtained under licence.

ABB and Tosi have been talking since last November, when ABB bought a 30 per cent stake in Tosi's operating subsidiary – Franco Tosi Industriale.

That accord enraged officials of Italy's IRI-Finmeccanica state engineering concern in Rome because they had hoped to create a joint company between Tosi and Finmeccanica's Ansaldo.

Mr Bruno Isabella, a senior Franco Tosi executive, said last night that "the Ansaldo deal would not have resolved our technology problem, while the link with ABB does."

The ABB acquisition, to be finalised next year, is analogous to the deal agreed earlier this year under which Nestlé of Switzerland bought the assets of the Buitoni foods group from Mr Carlo De Benedetti.

In the case of the ABB-Franco Tosi deal the latter will spin off its industrial assets, which account for most of its turnover of L367bn.

The publicly quoted Franco Tosi SpA has a market capitalisation of around L350bn. In order to buy control of the main assets of Franco Tosi Industriale ABB is expected to pay a premium of around 20 per cent on this level. ABB in Switzerland pointed out last night that details of the valuations are still under discussion.

News International cash bid for Collins

By Fiona Thompson

MR RUPERT Murdoch's News International has launched a cash bid for the 58 per cent of William Collins it does not already own. The offer values Collins, the UK-based publishing company, at £293m ($530m).

Mr Murdoch said he was very keen to expand into book publishing worldwide and saw Collins as a reasonable foundation. Collins shares jumped to well above the offer price last night, indicating that Mr Murdoch was unlikely to succeed at his open price.

The move comes seven years after News International failed in its first £25m attempt to gain control of Collins. Mr Murdoch retained his stake after that unsuccessful bid and has served as a non executive director ever since.

Mr Ian Chapman, chairman of Collins, said the offer was unwelcome and unrealistic. The board, excluding Mr Murdoch and a second News International representative, Sir Edward Pickering, had met yesterday morning and emphatically rejected the offer.

Mr Peter Stehrenberger, News International's finance director, said he was surprised at Collins' reaction. "We have not rocked the boat." After the support given to Collins since 1981, "it seemed a reasonable way of tidying things up."

The fact that the deal would give Mr Murdoch access to the entire cash flow of Collins "was not something we had overlooked," he said.

Collins, sixth or seventh in the world league of book publishers, has seen substantial growth in the past five years. Pre-tax profits have risen from £8.55m in 1983 to £24.08m last year, on sales up from £105.1m to £162.7m.

The group operates in the UK, Australia, Canada, New Zealand, South Africa and the US. It has a 50 per cent holding in Harper & Row in the US, with News International holding the balance. Collins has five divisions in UK publishing, general trade including the Fontana, Flamingo and Crime Club imprints; Grafton books; special interests; reference and eduction; and religious. It owns the Hatchards and Claude Gill bookshop chains.

The offer terms are 640p in cash for each ordinary voting share and 535p for the non-voting "A" shares. The former closed 142p up at 685p last night, the "A" shares 116p up at 569p.

Lex, Page 20

Dresdner reports surge in second half

DRESDNER BANK of West Germany said yesterday that partial operating earnings for the 10 months will be above last year's levels because of an earnings surge in the four months to October 31 that ironed out a decline in the first half, Reuter reports.

Days before the bank is expected to send a letter to shareholders detailing the 10-month results, it said that partial operating earnings, which are essentially post-expense net interest and net commission income, will be above year-earlier levels.

The bank never disclosed its year-earlier group figure, however, and it declined to specify earnings, noting that the shareholders letter was due soon.

The statement comes as the bank is raising DM780m ($453m) through a share offering, beginning on November 21. The shareholders letter is due November 30.

Dresdner also said that partial operating earnings by the parent company for the January to October period would be close to year-earlier levels of DM639.3m.

The report indicates an improvement since the bank posted earnings for the period through June 30, when parent partial operating earnings were *down 7.9 per cent to DM348.6m.*

3M healthcare side to be split

MINNESOTA Mining & Manufacturing, the diversified US group, is splitting its healthcare businesses into two: the Hospital Products Group and the Pharmaceutical & Dental Products Group, AP-DJ reports.

The company said the change stemmed from the rapid growth achieved in its healthcare markets. It added that in the past four years, the healthcare business had doubled in size.

In 1987, sales of Minnesota Mining healthcare products exceeded $1bn, the company said. The group derives around one quarter of its profits from its so called life sciences segment.

NEC joins industry-wide software standard feud

By Louise Kehoe in Tokyo

NEC, ONE of Japan's largest computer companies, has joined the industry-wide feud over "open systems" software standards.

The giant Japanese company has come down on the side of AT&T and its growing band of supporters in the so-called "Archer" group, in opposition to the more formally constituted Open Software Foundation (OSF) whose members include IBM, Digital Equipment, Hewlitt-Packard, Apollo, Nixdorf, Siemens and Groupe Bull.

NEC's decision, which is expected to be announced *within two weeks*, represents a significant setback for OSF which has been trying to win support among Japanese computer companies.

Both groups plan to develop standards that will enable all types of computers to "talk" to *one another, sharing software* and data. OSF has chosen IBM's AIX operating system as the core of its softward standard, whereas the Archer Group is focusing its approach upon AT&T's Unix System V.

The industry schism, which involves virtually all of the leading computer manufacturers in the US, Europe and Japan, means that two incompatible and competing standards may emerge.

Attempts to resolve the dispute, which centres largely upon objections to OSF's choice of the IBM AIX system, now appear to have failed. The Archer Group, which is expected to adopt a new title, will announce its plans for an alternative "open system" standard early next month.

NEC's decision was based on "technical, political and circumstantial" factors, the company said. Among the issues *influencing NEC, according to* other computer executives in Japan, has been the opinion of officials at the Japanese Ministry of International Trade and Industry (Miti).

Fujitsu and Toshiba have already joined the AT&T camp, although Hitachi, another major Japanese computer company, is a member of OSF.

By lending its weight to the Archer Group, NEC appears to have tipped the balance in favour of the AT&T-led group. Other AT&T backers include Unysis, Control Data, Sun Microsystems, NCR and Prime in the US as well as ICL and Olivetti in Europe.

With both sides still maintaining that they would like to resolve their differences, NEC's decision might lead to a renewed effort towards unity.

AT&T supporters remain adamant, however, that the software standard should be based upon AT&T's version of *Unix rather than the IBM AIX* System.

Holly Farms in ConAgra link

By Anatole Kaletsky in New York

HOLLY FARMS, the US poultry products group which has been fighting a $52 a share takeover bid from Tyson Foods, one of its biggest rivals, *yesterday* announced a merger agreement said to be worth $59¼ a share with ConAgra, a diversified food processor.

The deal with ConAgra involved a share exchange rather than cash payment and it was unclear yesterday whether it would succeed in thwarting Tyson's efforts to acquire Holly Farms.

ConAgra said that the precise exchange ratio between its shares and those of Holly Farms would be determined by the average market price of ConAgra shares shortly before the deal was ratified by Holly Farms' shareholders.

However the exchange ratio would be between 1.75 and two ConAgra shares for each share in Holly Farms.

Holly Farms' shares fell $¾ to $52 in active trading yesterday morning,while Tyson declined $⅜ to $15½ and ConAgra fell $1⅜ to $27½.

In another statement released yesterday, Tyson said it had written to Holly Farms directors on Wednesday, offering to raise its all-cash offer from $52 to $54 a share.

This offer was effectively rejected when Holly Farms directors signed the merger agreement with ConAgra at their board meeting on Wednesday afternoon.

Yamaha operating profit down by fifth

By Gordon Cramb in Tokyo

YAMAHA MOTOR, the Japanese motorcycle maker, lifted interim pre-tax profits 10.7 per cent to Y3.42bn ($15.3m), but the gain came on financial items, while its operations performed poorly.

Despite a 3.4 per cent rise in sales to Y189.2bn, operating income dropped by just over a fifth to Y5bn. The company said domestic sales of its bikes were poor – in contrast to Honda and Suzuki which this week described demand for motorcycles in Japan as good.

Boats and outboard engines, Yamaha's second main line, helped make up with a 20 per cent increase in sales to Y42.6bn amid the Japanese leisure boom. Car engines supplied to Toyota and Ford also did well.

Net profits for the six months to September emerged lower at Y2.40bn against Y2.66bn. The 1987 figure included a Y400m extraordinary credit on the sale of plant.

The full-year forecast is for pre-tax profits of Y5.8bn, up 19.3 per cent but net earnings flat at Y3.8bn. A 4.9 per cent rise is expected to take sales to Y385bn.

Strong demand boosts Hewlett

By Roderick Oram in New York

HEWLETT-Packard has reported higher profits for the fourth quarter and year thanks to strong demand for a broad range of its computers, instruments and other electronic products.

Net profits for the three months ended October 31 rose 11 per cent to $243m, or $1.03 a share, in line with Wall Street's estimates. This compares with $218m, or 85 cents a year earlier. Sales rose 19 per cent to $2.71bn from $2.28bn.

Full year net income grew by 27 per cent to $816m, or $3.36, from $644m, or $2.50, on sales ahead by 22 per cent to $9.83bn from $8.09bn.

"Order growth was robust across the globe, but particularly in the Asia-Pacific region and Europe," said Mr John Young, president and chief executive officer. Japanese orders rose about 40 per cent from a year earlier.

"Business growth outside the US reflects the strength of our competitive products as well as the beneficial effects of a weaker US dollar."

Total orders exceeded $10bn for the first time, up from $8.38bn a year earlier.

The company said the shortage of dynamic random access memory chips seemed to be easing and currently was not delaying computer shipments.

"We enter the new fiscal year well positioned and optimistic,although we will be watching the US economy carefully as the year develops," Mr Young said. "A key focus will be to improve our pre-tax profit margins."

Wall Street is generally enthusiastic about Hewlett-Packard because it is concentrating on some of the fastest growing market segments, such as engineering work stations.

Moreover, many of its models are relatively young on the product life cycle.

GrandMet takeover fight for Pillsbury intensifies

By James Buchan in New York

GRAND Metropolitan of the UK is pursuing its assault on Pillsbury with carrot and stick, hinting broadly it might raise its $5.2bn offer for the Minneapolis food and restaurant group and at the same time launching another lawsuit in the courts.

The UK brewing, spirits and leisure group, which has the backing of nearly 80 per cent of Pillsbury's stockholders for its $60-a-share offer, said it had offered to hear the management's arguments for a higher offer.

According to a statutory filing yesterday, Mr Allen Sheppard, GrandMet's chairman, sought a meeting with Mr Philip Smith of Pillsbury today or tomorrow. In a telephone conversation on Tuesday, according to the filing, Mr Sheppard said "he had heard that Mr Smith was a very good salesman and was prepared to listen to any arguments Mr Smith might have regarding why (GrandMet) ought to pay more than $60 a share."

Mr Smith, named as chairman of the Minneapolis group in July, said he had no authority to meet Mr Sheppard but promised to report the conversation to the Pillsbury board.

GrandMet has also filed a motion in court in Delaware, Pillsbury's state of incorporation, seeking an injunction against the Burger King spin-off. GrandMet officials complain that the spin-off set for December 2, which is designed to finance a big cash payment to stockholders, will create a big liability for tax if the UK company captures Pillsbury after that date.

GrandMet is suing in the same court to overturn a Pillsbury by-law, known as a poison pill, which prevents the UK company from taking up the 79.5 per cent of shares tendered to its offer. If triggered, the pill floods the market with new Pillsbury stock, making a takeover extremely expensive.

GrandMet said that the court would hear on Burger King on November 28 and on the poison pill on December 12.

Campbell Soup sales hit record

By Our Financial Staff

CAMPBELL SOUP, the largest producer of canned soups, yesterday announced record sales and operating results for the first quarter.

Sales were boosted by a 21 per cent increase in operating earnings at Campbell USA, the company's largest operating division, and by acquisitions. The group has launched a soup marketing campaign which is expected to increase sales this year, *although the effects of* the campaign are not reflected in the latest results because of timing differences.

First quarter net income came out at $69.4m or 54 cents a share, compared with $62.4m or 48 cents last time, on sales which advanced to $1.33bn from $1.18bn. Last year's net excludes a $32.5m gain from an income tax accounting.

The group said Campbell International recorded a 30 per cent increase in sales, which was largely attributable to the acquisition of Freshbake, a UK frozen foods business, and Beeck-Feinkost, a refrigerated salad company based in Hamburg, West Germany.

Campbell International's operating earnings increased 13 per cent on last year's first quarter, excluding a non-recurring gain from the sale of a juice business in Australia last year.

Pepperidge Farm, which produces bread, cakes and similar products, lifted sales by 8 per cent and earnings by 7 per cent.

Sales and earnings of Campbell Enterprises division's were reduced by the sale of Pietro's restaurant chain last year.

Interco bid lapses without further offer in sight

By Roderick Oram in New York

SHARES OF Interco, the largest US footwear and furniture maker, slipped further yesterday as a bid for it lapsed with no new offer in sight and with market remaining cool to the company's recapitalisation plan.

The Rales brothers, Washington investors, dropped as expected their $2.7bn bid for Interco, saying they were concerned that further legal delays would hurt the company's prospects.

Interco said it would proceed with its own restructuring and recapitalisation plan worth an estimated $76 a share to stockholders.

Analysts questioned the Rales' explanation, saying there was no evidence of deterioration at Interco and the legal fight was almost over.

More crucially, Interco's stock, down $1⅛ at $63¼, is well below the Rales abandoned offer of $74 a share and a guide to the market's valuation of the recapitalisation plan.

The present level could allow the Rales to come back with a lower bid.

INTERNATIONAL COMPANIES AND FINANCE

Westpac profits leap to record A$692.7m

By Chris Sherwell in Sydney

WESTPAC Banking Corporation, the largest of Australia's "Big Four" trading banks in terms of global assets, yesterday reported a 69 per cent leap in after-tax profits to a record A$692.7m ($592m) and declared a hefty pay-out to shareholders.

The figures cover the 12 months to September and confirm the strong banking sector performance indicated by last week's results from National Australia Bank, which announced a 62 per cent increase in net earnings.

Westpac said it had been an "outstanding year" and added that prospects for further profit growth were "encouraging". Its profit figure after extraordinary items was almost three times last year's result, at A$760.7m.

The final dividend of 18 Australia cents per share, coupled with a special dividend of 10 cents, both fully franked, lifted the full-year figure to 43 cents. This represents a pay-out ratio of 59 per cent, and for 1988-89 Mr Stuart Fowler, managing director, yesterday promised at least 50 per cent.

Discussing the results, he pointed to the high inflow of deposits which followed last year's market crash, a big rise in home lending, higher productivity and controls over the group's expenses.

The bank saw strong retail and savings bank contributions and improvements from offshore operations, but disappointing performances in depressed New Zealand, in the group's venture capital arm and in the stockbroking firm Ord Minnett.

During the year Westpac said it had strengthened its capital position, establishing a ratio of capital to risk-weighted assets of 9.4 per cent, well in excess of the Reserve Bank's minimum of 8 per cent under the newly introduced capital adequacy rules.

It said its "Tier 1" capital ratio stood at 5.3 per cent, against the Reserve Bank's required 4 per cent, largely as a result of the A$743m rights issue in August.

Regarding loans to countries rescheduling their external debt, Westpac said it had made a total charge of A$47m against operating profits through the sale or write-off of its overall exposure. Provisions for its remaining exposure amounted to 57 per cent of the total of US$236m, down US$88m on the year.

The bank also announced that Sir Eric Neal, one of Australia's best-known businessmen, would be proposed as its chairman when Sir James Foots retires in January 1989.

Looking further ahead, the group said it expected to benefit from the reduction in the company tax rate to 39 per cent and the phased reduction in statutory reserve deposit requirements.

David Lascelles, banking editor, adds: Westpac is eager to expand its activities in Europe, and is actively seeking acquisition possibilities in retail and investment banking, Mr Peter Brind, general manager for the region, said yesterday.

He confirmed that Westpac had bid for the Girobank, the Post Office bank being privatised. However, it withdrew after analysing the deal, owing to concerns about marrying technology and preserving the quality of service through the post office counters which handle Girobank business.

Westpac also believes it should have stronger distribution capabilities in Europe for its investment banking, and is looking for acquisition opportunities in countries such as Germany.

"We believe we can compete in these markets if we are of some size," he said.

Australian banks are also somewhat concerned about the EC's plans for 1992, because of the possibility that Australia's restrictive policy on foreign bank entry could lead to reciprocal restrictions in the EC. However, Mr Brind said he hoped Australia would ease its policy by 1992.

Westpac did not disclose the details of its European results, but Mr Brind said the bank had achieved good results, particularly in its treasury and foreign exchange activities.

Matsushita boosts global earnings to Y104.3bn

By Gordon Cramb in Tokyo

MATSUSHITA ELECTRIC Industrial, the Japanese electronics market leader which produces under the National, Panasonic and Technics brands and half-owns JVC, boosted global net profits by a third, to Y104.3bn ($851.4m) in the six months to September.

The rise, from a 1987 interim figure restated at Y78.4bn to reflect the new units consolidated within the group, was drawn from a 9 per cent growth in sales to Y2,687bn.

The trend is expected to moderate only slightly for the full year. Matsushita is forecasting group net profits up 28 per cent to Y210bn, on sales 8 per cent higher at Y5,450bn.

The company is maintaining a Y5 interim dividend and expects the year's total to be Y12.5, including a payment to mark its 70th anniversary. Next May it will undertake a one-for-20 scrip issue.

In spite of the strong yen, which Matsushita said adversely affected its North American business, the group managed to increase first-half sales overseas by an aggregate 6 per cent to Y1,114bn. It described European and Asian sales as having progressed well, and pointed to the "major growth of overseas production".

By product group worldwide, Matsushita did best outside the consumer industries which form its usual mainstay. Communication and industrial equipment, largely for use in office and factory automation, showed turnover up 18 per cent to Y534bn, while the better semiconductor market lifted its electronic components side 12 per cent to Y350bn.

In video equipment, its largest sector with Y761bn in sales, a rise of 6 per cent was "spearheaded by camcorders and models with enhanced picture quality," the company said.

Matsushita said that for its latest quarter alone, net earnings per share were Y25.84 against Y21.17. The parent company, which in April merged with Matsushita Electric Trading, showed pre-tax profits of Y125.7bn, up 14.6 per cent on an adjusted basis.

Sales rose 9 per cent to Y2,008bn. The parent's full-year outlook is for gains of 8 per cent in turnover and 17 per cent in profits.

● Aiwa, the audio products maker in which Sony has just over a half share, yesterday reported a return to break-even with Y231m pre-tax profits for the parent company first half, against a Y1.55bn loss. Sales rose 19 per cent to Y39bn as production was expanded in Singapore.

Japanese shipping sector sees big improvement

By Gordon Cramb in Tokyo

THE SIX leading Japanese shipping lines, battered by a high yen and worldwide over-capacity, are persevering with a restructuring which is beginning to show positive results.

A report this week that Mitsui OSK Lines was taking two affiliates out of the shipping business and into leasing is the latest indication that the industry is changing shape.

Although the 300 or so seamen of the two quoted off-shoots, Shin Yei Steamship and Nihonkai Steamship, are being transferred elsewhere in the Mitsui OSK group, the reality of the state-endorsed rehabilitation plan for Japanese shipping has brought large-scale job losses and a shift to flags of convenience.

An agreement last December with the strong Seamen's Union gave shipowners more room for cutting overstaffing, estimated at up to 40 per cent.

This opened the way for a shake-up earlier this year in the Pacific liner route to North America which had been a big drain on earnings.

In February, Nippon Yusen (NYK), the largest in the industry, put its scheduled north Pacific service into a joint venture with Mitsui OSK, aimed at reducing overheads.

The link between the two rivals triggered moves by others on that route: Showa Line withdrew in July, while Japan Line has tied up with Yamashita-Shinnihon Steamship (YS) and Evergreen of Taiwan.

In spite of the associated costs of early retirement payments exacted by the union, all the big six companies reported improved results for the six months to September, although three remained in loss.

NYK's North American route remained unprofitable, but overall the company was able to lift pre-tax profits nearly 80 per cent, to Y5.71bn from Y3.18bn, on sales of Y217.6bn compared with Y206.8bn, its first interim upturn in three years.

Some companies are seeking growth through luxury cruise ships. Mitsui OSK, which reported pre-tax profits of Y2.13bn (Y1.58bn) on sales of Y176.4bn (Y175.7bn), is to launch its second liner next year.

Japan Line made nearly all its pre-tax profits, of Y13.22bn, against a loss of Y1.2bn, on sales of Y66.3bn (Y64.4bn) from securities sales.

Kawasaki Kisen reduced its net loss, down to Y1.19bn from Y4.07bn on sales of Y149.3bn (Y147.1bn), as did YS, to Y600m from Y2.71bn on sales of Y62.7bn (Y60.3bn). Showa Line was the only one whose revenues fell further, with a pre-tax loss of Y3.21bn (Y3.91bn) on sales of Y47.5bn (Y52.2bn).

Tongaat interim up by half

By Jim Jones in Johannesburg

HIGHER WORLD sugar prices and better trading by non-sugar interests have led to an interim pre-tax profit increase of almost half for Tongaat-Hulett, the diversified food group based in Natal.

However, the directors forecast somewhat slower growth in the second half as higher interest rates and import surcharges affect the economy.

The first half's turnover increased to R1.62bn ($68m) in the six months to September 30 1988, from R1.29bn in the corresponding period of 1987, the interim operating profit before interest and tax rose to R160.1m from R112.0m and the interim pre-tax profit was R126.2m against R84.8m.

In the last financial year turnover totalled R2.62bn. The year's trading profit was R240.9m and the pre-tax profit was R189.5m.

Most of the first half's growth came from sugar, aluminium processing and the building supplies divisions. The latter two benefited from strong consumer demand in the early part of the year as spending on durables rose in response to the Government's cheap money and easy credit policies.

On the other hand, the food and textiles divisions operated in what Mr Chris Saunders, the chairman, describes as difficult market conditions.

The first half's earnings were 99.5 cents a share against last year's interim 69.8 cents and the interim dividend has been increased to 23 cents from 18 cents. Last year's total earnings were 162.3 cents and the year's dividend was 54 cents. Tongaat is controlled by Anglo American, South Africa's largest mining house.

INTERNATIONAL COMPANIES AND FINANCE

A&M and Fondiaria buy stakes in insurer

By Haig Simonian in Frankfurt

AACHENER und Münchener, West Germany's fifth largest insurer, and La Fondiaria, the fourth biggest Italian insurance company, are paying DM750m ($441m) each for their stakes of just over 25 per cent each in Volksfürsorge, the German insurance group.

The deal, which was yesterday approved by the German cartel authorities, could be the precursor to further co-operation between the two companies ahead of the European community's planned free market in financial services in 1992, said Mr Helmut Gies, A&M's chief executive.

Mr Hans Matthöfer, head of the Beteiligungsgesellschaft für Gemeinwirtschaft (BGAG), the holding company for Germany's trade unions, which owns Volksfürsorge, confirmed that the BGAG has agreed to keep just over 25 per cent of Volksfürsorge's shares for at least the next 10 years.

The fate of its remaining holding remains unclear.

Mr Matthöfer revealed his group was in talks with a third company over the sale of a further stake of roughly 25 per cent in Volksfürsorge.

He would not reveal the name of the other company involved, but said it was not an insurance group.

Some analysts have speculated that Swiss Bank Corporation, which has extended a DM1bn credit to the BGAG against part of its Volksfürsorge shares, could be involved.

The party concerned "could contribute a very special element," he said.

Should the discussions fail, Mr Matthöfer also left open the possibility of other options, which could be taken up in the course of the next year.

As to future cross shareholdings between A&M, which is 20 per cent owned by Royal Insurance of the UK, and La Fondiaria, Mr Gies said "this could not be ruled out."

However, he said no steps had been taken so far, nor had Royal Insurance been involved in the latest deals.

Mr Gies confirmed that the A&M's stake in Volksfürsorge would be spread between various subsidiaries.

Volvo edges ahead by 1.7% in third quarter

By Robert Taylor in Stockholm

VOLVO, Sweden's motor, energy and food company, announced yesterday it had lifted third-quarter profits after financial items by 1.7 per cent to SKr1.64bn ($270.6m) compared with SKr1.60bn for the same period of 1987.

The impact of the six-week national strike earlier in the year continues to distort the company's results for 1988. Profit after financial items for the first nine months totalled SKr5.44bn against SKr5.89bn a year earlier. Volvo estimated it lost about SKr1.1bn because of the stoppage.

Yesterday Mr Pehr Gyllenhammar, chief executive, said Volvo hoped to receive a "not insubstantial" amount of cash compensation from the Swedish Employers Federation. An announcement on the exact sum is expected shortly and should help to improve Volvo's financial performance in the last quarter.

Sales over the first nine months of 1988 rose 3 per cent up from SKr66.23bn in the 1987 period to SKr67.98bn. Excluding Volvo's loss-making oil trading operations, sales were up by 11 per cent. Sales outside Sweden amounted to 80 per cent of the total.

Mr Gyllenhammar, giving his annual autumn review in Stockholm, said car operations were operating at full capacity and the rate of sales in the US and other markets had increased over the nine-month period.

However, the actual number of Volvo cars sold in the US declined in the first half of the year, mainly due to the lower exchange rate for the dollar and the increasing competitiveness of American cars, though in recent months the position has improved.

Car sales in Western Europe have risen by only 0.1 per cent over the first nine months though the market has increased by 4 per cent. The company delivered 5 per cent fewer cars to customers in the January-September period, down from 321,000 over the same months of 1987 to 304,000.

Truck sales rose by 27 per cent in the first nine months of 1988 to SKr15.06bn. Mr Gyllenhammar said the company was actively seeking truck acquisitions in Western Europe, although he denied negotiations were under way with any particular company.

In the buses sector, the purchase of Leyland Bus earlier in the year has meant a 75 per cent increase in nine-month sales to SKr2.41bn. Without the acquisition, there was a 17 per cent growth in sales, though order bookings are down slightly.

Ericsson achieves its best results

By Robert Taylor

ERICSSON, the Swedish telecommunications and electronics group, achieved its best results for a third quarter and expects to make profits of at least SKr1.7bn ($280.5m) for 1988 before appropriations and taxes.

In the first nine months of the year, the company lifted profits before appropriations and taxes by 89 per cent to SKr654m from SKr453m a year earlier.

After a long problem period, the company has turned the corner. Mr Björn Svedberg, chief executive, said: "The trend of orders has been so strong that we can report an increase in total bookings despite the fact that early in the year we divested operations that formerly accounted for about one fourth of our sales."

Net sales fell by 6 per cent over the nine-month period to SKr20.56bn due to Ericsson's divestment of some operations during the year. On a comparable basis, sales rose by 12 per cent.

Order bookings rose by 3 per cent to SKr23.15bn and by 29 per cent for comparable units over the same period of last year. Products demand is strong, particularly for the AXE switching system, mobile telephones and the MD110 private branch exchanges as well as in the network engineering and construction business areas.

Ericsson's profit forecast for the year depends on the company receiving substantial compensation from the Swedish Employers Association for the financial damage it suffered at the beginning of 1988 because of a six-week strike.

The company declined yesterday to give a figure of what losses it can attribute to the strike or the amount it is seeking from the association.

Pharmacia and Astra advance

By Sara Webb in Stockholm

SWEDEN'S two largest pharmaceuticals groups, Pharmacia and Astra, each reported increased profits for the first nine months in their underlying business areas and remained optimistic about full-year figures.

Pharmacia said profits after financial items increased by 19 per cent for its core business areas (biotechnology, health care, ophthalmics, and diagnostics) in the first nine months, helped by a 31 per cent increase in the third quarter.

The group has sold its rights to market certain product lines during the last year to concentrate on these main business areas, and says that the divestment trend will continue next year with the group's restructuring. As a result of these divestments, the group's total profits only edged up by 5 per cent to SKr673m ($111m) in the first nine months.

Pharmacia said profits (after financial items) for the full-year are expected to exceed the 1987 figure of SKr905m, helped by the usual peak in sales in the last quarter.

Group sales increased by 12 per cent to SKr4.85bn in the first nine months due to increased volumes and new products.

Biotechnology division sales increased by 13 per cent to SKr1.29bn while health care product sales rose by 12 per cent to SKr1.68bn. The diagnostics division increased sales by 19 per cent to SKr864m.

Astra reported a 13 per cent increase in profits (before appropriations and taxes) to SKr1.14bn and said it expects full-year profits to rise by about 14 per cent from the 1987 figure of SKr1.29 to about SKr1.47bn.

Astra's sales increased by 14 per cent to SKr4.5bn due to higher volumes. Sales of drugs to combat respiratory diseases jumped 22 per cent to SKr1.10bn, helped by strong demand for anti-asthma agents.

The group said it has agreed to acquire Hoei Pharmaceutical, a Japanese drug company with annual sales of around SKr330m, primarily to boost its marketing side before launching new products in Japan.

Schering lifts earnings by 6%

By Leslie Colitt in Berlin

SCHERING, the West Berlin-based pharmaceuticals and chemicals company, has reported group earnings in the first nine months of the year rose 6 per cent to DM137m ($80.5m).

Group sales in the same period were up 13 per cent to DM4bn. Earnings for the parent company increased by 15 per cent to DM116m on sales of DM2bn. The improved results are expected to continue for the rest of the year.

Group earnings were mainly held down by lower profits in Japan and the expense of launching new drugs

Dr Horst Witzel, chairman, said a recently announced attempt by ICN Pharmaceuticals, the US drugs company, to purchase a sizeable block of Schering shares was "unwelcome" and would be blocked.

Elsevier plans takeover of small publishing rival

By Laura Raun in Amsterdam

ELSEVIER, the third largest Dutch publishing group, plans to take over Perscombinatie, a smaller rival, in a move that will give it a predominant position in the Netherlands' newspaper market.

An acquisitive company, Elsevier has stated its intention to survive as one of the world's major media groups.

It forged a strategic alliance in September with Pearson, publisher of the Financial Times, aimed at creating an international chain of financial publications while hedging Elsevier's heavy reliance on scientific journals. It is the world's largest publisher of scientific journals.

Elsevier and Perscombinatie said they hoped to "achieve an economically stronger and broader basis for their operations, leading to improved quality of service for subscribers and advertisers." The partners already jointly own Het Vrije Volk, a weekly newspaper.

Together they would control most of the Netherlands' quality, national daily newspapers, including NRC Handelsblad, Elsevier's flagship daily, and De Volkskrant.

It remains to be seen whether the deal strengthens Elsevier's hand in efforts to parlay its engagement to Pearson into a marriage. The Dutch newspaper market is so saturated that growth opportunities are limited and in recent years Elsevier has looked more abroad than at home for expansion.

Elsevier will own 75 per cent of the holding company.

Aga ahead on higher sales

By Sara Webb

AGA, the Swedish industrial gas group, increased profits after financial items by 17 per cent to SKr811m ($133.8m) from SKr698m in the first nine months. It expects full-year profits after financial items to reach SKr1.15bn in 1988 compared with SKr1.01bn last year.

Sales totalled SKr7.09bn in the first nine months, an increase of 10 per cent for comparable units. Aga sold its troubled tool steel division, which had annual sales of around SKr2bn, with effect from last January 1.

Most of the profits increase stemmed from the strong performance of its gas operations (which account for about 60 per cent of sales and profits) and its Frigoscandia commercial freezing operations.

Marceau presses for closer ties with SocGen

By Paul Betts in Paris

MARCEAU Investissements, the investment group headed by Mr Georges Pebereau, yesterday reaffirmed its desire to collaborate with Société Générale, France's largest privatised commercial bank in which Marceau has a 9.16 per cent stake.

Marceau also said Mr Pebereau had the unanimous backing of his board, which met on Wednesday. Marceau's statement, which added that the investment in SocGen was already profitable, appeared designed to pour cold water on reports that some of its investors were unhappy with the way Mr Pebereau conducted his stock market raid on SocGen.

Representatives of Marceau and SocGen are due to meet today for the first time since the raid was launched for exploratory talks to try to resolve the deadlock between the two camps.

Marceau said it did not envisage increasing its stake in SocGen unless forced to defend its interests.

Mr Pebereau also indicated that he would negotiate directly with SocGen shareholders if he failed to negotiate a compromise with the bank's management headed by Mr Marc Vienot, the SocGen chairman.

Mr Pebereau appears to be under pressure from some of his own partners to reach a compromise with SocGen. Moreover, Mr Vienot has secured the support of new allies to thwart Mr Pebereau.

Bullish outlook for HK Hotels

By Michael Marray in Hong Kong

HONG KONG and Shanghai Hotels, the hotel group subject to a hostile takeover bid from local entrepreneur Mr Lo Yuk Sui's Cathay City, has come out with a bullish profits forecast and estimate of the company's net asset value in a defence document prepared by the board's independent committee.

Mr Lo's bid is widely regarded as dead within Hong Kong, but the HK$6.30 (80 US cents) per share cash and scrip offer is still on the table.

In the document, Hongkong Hotels forecasts a 27 per cent growth in earnings for 1988, and its HK$8.95 per share figure for the value of the group's net tangible assets is way above either offer price.

INTERNATIONAL COMPANIES AND FINANCE

Unitech to pay $327m for US power supply group

By Clay Harris in London

UNITECH, the UK electronics components manufacturer and distributor, yesterday agreed to pay $327m for Veeco Instruments, a larger US-based power supplies company which makes about half of its profits in Japan.

Unitech said the acquisition would create the world's leading independent manufacturer of power supplies – which are used to convert alternating current to direct current and protect against fluctuations in mains voltage – for equipment such as computers and telecommunications installations.

The combined group would rank first in the fragmented US and European markets and in the top four in Japan, where Veeco's 78 per cent owned subsidiary NEMIC-Lambda KK is the leading maker of "standard catalogue" off-the-shelf power supplies.

Mr Peter Curry, Unitech's founder and chairman, said the move reflected the increased demand by customers for multinational sourcing of components. It also underlined his company's desire to shift resources into manufacturing from less profitable distribution activities.

Unitech is to finance the acquisition through a multi-option loan facility arranged by Lloyds Bank and through the disposal of its UK and continental European semiconductor and computer systems distribution subsidiaries.

These sales are expected to raise at least £80m ($144m) towards reducing a heavy post-acquisition debt burden. Veeco's instruments and automation operations will also be candidates for disposal, Mr Curry said.

The distribution businesses to be sold accounted for about half of Unitech's £217m sales in the year to May 28, but a smaller proportion of group pre-tax profits of £14.7m. In the nine months to July 3, Veeco reported income before tax and minority interests of $19.9m on sales of $189.6m.

After disposals, the combined group will rely on power supplies for 55 per cent of sales, electrical connectors for 28 per cent and control systems for 17 per cent.

Elektrowatt, the Swiss electric utility, has a 29.9 per cent stake in Unitech, as the result of a £50m share issue in August at a premium to the market price. The capital injection anticipated a deal such as the one announced yesterday.

In London, Unitech shares closed 9p lower at 212p, at which its £133m market capitalisation is less than three quarters that of its target. Unitech's $26.50 bid has been recommended by Veeco directors. Unitech is advised by Kleinwort Benson, Veeco by Bear Stearns.

US reserves force 50% profits fall at Royal

By Eric Short in London

ROYAL Insurance, the UK insurance group, yesterday announced a surprise 50 per cent drop in pre-tax profits at the nine month stage from £259m to £140m ($252m). The fall stemmed from a £200m strengthening of its US outstanding claims reserves.

The immediate market reaction was a 15p drop in share price to 362p.

The need to strengthen outstanding claims reserves is widespread in the US insurance industry and not a problem specific to Royal.

The average claim payment is rising faster than expected and the number of claims is greater than anticipated.

But where most insurance groups make quarterly out of current trading profits – the AIG group is paying $600m a quarter – Royal reviews the position every five years with outside consultant actuaries. Royal should have been making payments in 1986 when US profits were very good.

The trading results from the US show that the market is in the grip of downturn in the insurance cycle with profits of £46.4m against £114.6m at the nine month stage and that trading will worsen in 1989. By making the payment in 1988, Royal has in the words of one analyst "pre-empted some of the pain."

The transfer has tended to mask the rest of Royal's results which show that apart from the US, business is good.

This is particularly so in the UK where pre-tax profits at the interim stage are up two-thirds from £63.7m to £107.6m on strong premium growth.

Business in Canada, Australia and the Netherlands has also improved significantly.

Market forecasts put full year pre-tax profits of between £220m-£240m, against £274m in 1987.

This decline looks acceptable against the 1989 profit forecast of around £300m-£340m when other US-oriented composites could be showing much lower growth – a justification for taking immediate action.

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British research group takes over Marplan

By Philip Rawstorne

MARPLAN, the UK market research company widely known for its political polls, has been bought by the privately-owned Reflexions Group, another British research company.

Founded in 1959 as a subsidiary of Interpublic, the US advertising and communications group, Marplan was later sold to Unilever which, in turn, sold it to Research International, part of the Ogilvy & Mather advertising group.

Mr Ian Hunt, chief executive of Research International, said yesterday that although Marplan had a good business base with a large range of regular and notable clients, its research strengths and interests lay outside RI's core business strategy.

The acquisition of Marplan, with a turnover of some £2m ($3.6m) a year, will make the Reflexions Group, the second largest privately-owned research company in the UK.

GM completes disposal of UK truck operations

By Kevin Done, Motor Industry Correspondent, in London

GENERAL MOTORS, the US automotive group, has completed the final stage of its disposal of its UK-based truck and medium van operations with the sale of its Luton design and engineering centre to the privately-owned David J B Brown group of companies.

A year ago Mr Brown took over GM's previously heavily loss-making Bedford truck operations at Dunstable in a deal understood to be worth around £20m ($36m) and formed AWD, now the largest privately-owned truck maker in West Europe.

Mr Brown is planning to create a new British automotive design and development consultancy from the GM commercial vehicle engineering business, to be known as Automotive Development Centre.

He said that the company would operate as an independent engineering, design and test facility separate from the AWD truck business.

The design operation would work chiefly for the automotive industry and would be "capable of working in entirely confidential circumstances to customer briefs" in all aspects of vehicle design from small cars to large trucks.

Automotive design and engineering consultancy is a sector that has grown rapidly in the UK in recent years led by companies such as International Automotive Design (IAD), Group Lotus, Ricardo and Hawtal Whiting.

The Luton facilities currently employ some 127 engineering designers, stylists, and test and research engineers, and include four full-scale design studios, engineering and modelling workshops, computer-aided design and testing equipment, prototype building workshops, test laboratory and a cold room with dynamometer capable of operating at minus 40 degrees Centigrade.

INTERNATIONAL CAPITAL MARKETS

Turkey $ straight well received

By Dominique Jackson

THE REPUBLIC of Turkey made its debut in the dollar straight sector of the Eurobond market yesterday to an enthusiastic reception, despite a lacklustre day on the secondary markets with continued pressure on the dollar keeping most investors on the sidelines.

Although primary market activity was generally limited, the Halifax Building Society made its second appearance in the Eurobond market so far this week with a successful Y30bn five-year deal.

Bankers Trust International was the lead manager on the 10-year Turkey issue. Although it marks the country's first dollar-denominated issue in the Euromarkets, it does have outstanding paper in the US domestic market. The borrower has also made three recent D-Mark-denominated Eurobond issues, the latest of which was a DM300m seven-year bond at 6¾ per cent and par via Dresdner Bank, launched late last month.

Turkey does not have a formal credit rating and many analysts noted that its track record on both short and longer term borrowings has meant that it often has to pay extremely generous spreads and fairly large fees in order to access fresh funds. Some analysts said Turkey was on a rough par with its neighbour, Greece, which carries an unsolicited rating of triple-B. Both are Mediterranean, agricultural-based economies where political stability is an important factor when assessing credit risk.

Bearing the nature of the borrower's credit in mind, the lead manager elected to offer extremely generous terms on the issue, which it said was largely targeted at retail investors in West Germany, where Turkey has a higher profile among investors following its recent deals and because of the strong cultural affinity between the two countries. The bond was sold in relatively small denominations of $1,000 to aid this process.

The attractive 11⅛ per cent coupon obviously appealed to many investors in this bracket, while dealers reported that the issue had also been popular with institutions interested in using the paper for asset swapping. The initial yield margin on the bid side was 216 basis points over 10-year Treasury issues on a semi-annual basis, an obvious attraction to investors buying paper on a spread basis.

An additional feature which clearly helped to make the bonds more attractive, given the nature of the credit, was the put option at par after both three and six years offering additional investor protection. The lead manager has reportedly spent some time extensively preparing the market for this deal and identifying pockets of potential demand. This work appeared to have paid off yesterday as the deal saw persistent and strong demand. Late in the day it was bid at a discount of ⅝ and offered at issue price, compared with total 2 per cent fees.

INTERNATIONAL BONDS

IBJ International brought the Halifax Building Society to the Euroyen sector, where the latest crop of new conventional deals, including last week's issue for the Nordic Investment Bank via the same lead manager, have benefited from the extremely tight supply seen all year in the sector.

The issue follows a five-year Ecu125m deal via Ecu specialist Banque Paribas Capital Markets earlier this week, the first time that a UK building society has made an issue in the composite currency. Both form part of Halifax's current strategy to diversify the currencies in which it raises funds, thereby improving its international profile and broadening its investor base.

The Euroyen issue at 5¼ per cent and 101¼ was deemed very fairly priced, offering a few basis points pick-up over the Halifax's outstanding five-year 5 per cent Euroyen issue. Its warm reception appeared to reflect the success of a recent roadshow held by the building society in Japan. The lead manager said strong demand was detected in both the Far East and Europe and the deal was still trading comfortably within fees, bid at a discount of 1⅛ at the end of the day, although it had traded at even higher levels earlier on.

By contrast, the Ecu-denominated deal was languishing outside the level of its total fees yesterday. Dealers said this reflected not merely a price difference in the terms of the two issues but more especially the distinct nature of the investor groups at which each was aimed. More institutions tend to invest in Euroyen and buyers of yen paper are more likely to be alert to the significance of the AA-/AA1 credit rating of this borrower.

Ecu bonds, on the other hand, are traditionally placed with retail investors, largely from the Continent, who may be slow to come into the deal and who are also still not entirely familiar with the credit in question. Further efforts by the building societies, particularly the larger ones such as the Halifax to continue to tap the Euromarkets should help to redress these worries in the longer term.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Republic of Turkey◆	150	11⅛	100	1998	2/1⅛	Bankers Trust Int.
Issue increased:						
Great Western Bank‡◆	300	(a)	100	1991	n/a	Merrill Lynch
YEN						
Halifax B.Society◆	30bn	5¼	101⅞	1993	1⅞/1¼	IBJ Int.
LIRE						
ECSC◆	120bn	10⅞	101⅞	1993	1⅛/1⅛	San Paolo Bank
DANISH KRONER						
ASLK-CGER IFICO◆	300	9¾	100⅞	1993	1⅞/1¼	Sparekassen SDS
SWISS FRANCS						
Chisan Co.★★◆	50	4⅞	100¼	1993	n/a	Credit Suisse
CANADIAN DOLLARS						
Issue increased:						
FKbanken(b)◆	70	10¼	100⅞	1989	⅝/½	Banque Paribas

★★Private placement. ‡Floating rate note. ◆Final terms. a) Global FRN increased from $250m. Euro tranche: $190m; US tranche: $110m. First year ¼ over 6m Libor, second ⅛ over 6m Libor, final year ⅛ below 6m Libor. b) Increased from C$65m (which was increased from C$50m earlier this week.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 17

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94	94⅜	-0¼	-0½	9.66
Amer. Brands 8⅞ 92	150	†95	95½	-0½	-0⅛	10.46
A/S Eksportfinans 7⅛ 93	100	†92⅝	93⅛	-0⅛	-1	9.45
A/S Eksportfinans 7¼ 92	150	94	94⅜	-0¼	-0¼	9.45
Barc. Bk. Fin. 10¼ 89	200	†100⅝	101⅛	-0¼	+0⅛	9.32
B.F.C.E. 7 92	150	93⅛	93⅝	-0⅛	-0¼	9.35
British Telecom 7⅝ 96	250	90¼	90⅝	-0¼	-0⅛	9.40
Cal.Natl.Telecom 8½ 93	160	†96	96½	-0¼	-0⅛	9.59
Canada 9 96	1000	98⅝	99⅛	-0¼	-0⅛	9.20
Canadian Pac 10⅝ 93	100	†102⅞	103½	0	-0⅛	9.87
C.C.C.E 7⅛ 91	113	†94⅛	94⅝	-0⅛	-0¼	9.40
C.C.C.E 9¼ 95	300	98⅞	99⅛	0	-0⅛	9.42
C.N.C.A 9⅞ 93	150	99⅝	100	-0⅛	-0¼	6.46
Credit Lyonnais 9 91	200	99	99⅜	-0⅛	-0⅛	9.40
Credit National 8¾ 93	200	95½	96	-0⅛	-0¼	9.44
Credit National 7⅞ 92	100	94⅛	94⅝	-0¼	-0¼	9.34
Credit National 7¼ 91	150	94⅜	94⅞	-0¼	-0¼	9.38
Dai-Ichi Kan 9⅝ 92	150	100¼	100⅝	-0⅛	-0¼	9.45
Denmark 7⅛ 92	500	93¼	93¾	-0¼	-0¼	9.48
E.E.C. 7 91	100	94⅛	94⅝	-0¼	-0¼	9.19
E.E.C. 7¼ 93	250	92⅞	93⅜	-0⅛	-0¼	9.24
E.E.C. 8 90	350	98	98⅜	0	-0⅛	9.20
E.I.B. 7⅝ 93	100	93⅛	93⅝	-0¼	-0⅛	9.31
E.I.B. 9⅝ 97	150	99⅜	99¾	-0¼	-0⅛	9.45
Elec.De France 9 98	200	96¼	96¾	-0⅛	-0¼	9.57
Finland 7⅞ 97	200	90⅜	90⅞	0	-0½	9.56
Finland 7½ 93	200	92⅝	93⅛	-0⅛	-0⅛	9.39
Finn.Exp.Cd. 8½ 92	200	97¼	97¾	-0⅛	-0⅛	9.38
Ford Motor Credit 8 91	250	96⅝	97⅛	-0⅛	0	9.51
Gen Elec Credit 10¼ 00	200	100⅛	100⅝	0	-0⅛	10.17
G.M.A.C. 8 89	250	98¾	99¼	-0⅛	—	9.09
Gen.Mtrs.Corp. 9⅛ 92	200	99	99½	-0¼	-0⅛	9.35
Halifax BS 9½ 93	200	†99⅜	99⅞	0	-0⅛	9.58
IBM Credit Corp. 8⅞ 91	250	99	99½	-0⅛	-0½	9.17
Italy 9 90	2000	99¾	100¼	-0⅛	+0⅛	8.97
L.T.C.B of Japan 8 91	100	96⅛	96¾	-0¼	-0⅛	9.48
L.T.C.B.of Japan 8 97	200	89⅞	90⅜	-0⅛	-0½	9.80
Mercds-Benz Cd. 8½ 95	100	†94¾	95¼	-0¼	-0⅛	9.58
Metropolis Tokyo 9½ 93	200	100½	101	-0¼	-0⅛	9.26
Morgan Guaranty Tst. 7 90	150	96¾	97¼	-0⅛	+0⅛	9.47
Norway 8¾ 93	500	98⅛	98⅝	-0⅛	-0½	9.20
Pepsico Inc 7⅞ 93	200	†91⅞	92⅜	-0¼	-0⅛	9.59
Portugal 8¼ 91	300	96¾	97⅜	-0¼	-0¼	9.70
Prudential Crp. 8¾ 94	125	97⅛	97½	-0½	-1	9.38
Qantas Airways 10⅜ 95	140	103¼	103⅝	-0⅛	-0½	9.62
Saskatchewan 10¾ 92	100	103⅝	104	0	-0⅛	9.38
State Bk S Aust 9¼ 93	100	98½	99½	0	-0½	9.52
Swed Exp Cred 7¼ 91	100	†94¼	94¾	-0¼	-0¼	9.38
Swed Exp Cred 10 92	100	†101	101½	-0½	-0⅛	9.53
Sweden 7 91	250	94⅛	94⅞	-0⅛	-0⅛	9.19
Sweden 7 92	250	†93½	94	-0¼	-0¼	9.30
Sweden 8¾ 96	200	96⅛	96⅝	-0¼	-0⅛	9.44
Sweden 8½ 92	200	†98⅛	98⅝	-0¼	-0½	9.01
Victorian Rep 11⅝ 92	150	105⅞	106⅜	-0⅛	-0½	9.42
World Bank 7 92	300	†93¾	94¼	-0⅛	-0⅛	9.23
World Bank 9 97	300	97⅛	97⅝	-0¼	-0⅛	9.40
Yasuda Trust Fin 8½ 93	100	95½	96⅛	-0¼	-0⅛	9.66

Average price change... On day -0¼ on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	102⅜	103	+0⅝	+1	5.48
Avis Fin.SVS 5⅞ 92	100	100½	101	+0¼	+0¼	5.61
Bank of Tokyo 5¾ 93	100	101	101½	-0¼	+0¼	5.41
Central BK. Turkey 7 92	200	104⅛	104⅝	+0⅛	+0⅛	5.70
Commerzbank o/s. 5⅛ 93	300	100¼	100¾	+0¼	0	5.23
Degussa Int. 6⅛ 97	200	100⅝	101⅛	-0⅛	-0⅛	5.97
E.I.B 5½ 98	150	95½	96⅛	-0⅛	-0¼	6.08
E.I.B 6 97	300	99⅛	99¾	+0⅛	-0⅛	6.07
E.I.B. 6⅛ 96	300	100½	101⅛	0	0	5.99
E.I.B. 6⅛ 97	400	99½	100⅛	0	-0⅛	6.16
E.I.B. 6⅞ 95	300	104½	105⅛	0	-0⅛	6.00
Euro.Coal& Steel 5⅞ 97	175	98⅝	99¼	0	0	6.05
Eurofima 6¼ 96	100	101¼	102	+0¼	+1⅛	5.97
Elec De France 5¾ 97	300	98¾	99⅜	+0⅛	+0⅛	5.88
Forsmark Krtg. 5⅛ 93	200	98⅛	98⅞	0	+0⅛	5.52
I.A.D.B. 6 97	200	99⅛	99¾	0	+0¼	6.07
Japan Dev. Bk. 5⅜ 95	300	98⅛	98⅞	0	+0⅛	5.65
Japan Finance 5⅞ 97	100	97⅛	97⅞	0	+0⅛	6.14
Ireland 6½ 97	300	101	101½	0	0	6.30
Korea Dev BK 6⅝ 93	100	102⅜	103	+0¼	+0⅛	5.94
Malaysia 6¼ 94	150	99⅝	100¼	+0⅛	+0⅛	6.27
Nat. West BK. PLC 6 98	300	97⅝	98⅜	0	+0⅛	6.28
Nippon Telg.&Tel. 6 95	400	101	101½	0	0	6.01
Oesterr. Kontbk. 5 93	300	98½	99¼	-0¼	-0⅛	5.30
Portugal 5⅝ 92	150	100⅝	101⅛	0	+0¼	5.44
Portugal 6⅝ 95	150	102½	103⅛	-0⅛	0	6.08
Privatbanken 5¼ 93	150	98	98¾	+0⅛	0	5.69
Royal Insurance 5½ 92	300	100½	101	-0⅛	-0⅛	5.24
Soc Cent Nuclear 7⅛ 95	150	103⅞	104⅜	-0⅛	+0⅛	6.45
Turkey 6½ 95	500	97½	98	0	0	6.93
Westlb. Finance 5 93	200	†99	99¼	0	0	5.23
World BK. 6¼ 97	600	100⅜	101	0	+0⅛	6.11

Average price change... On day +0 on week +0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102½	102¾	-0⅛	+0⅛	4.65
Belgium 4⅝ 94	45	98¾	99	0	+0⅛	4.86
Canada 4⅞ 92	80	99⅛	99⅜	-0⅛	-0¼	4.60
Elec. De France 5⅛ 94	20	101⅛	101⅝	-0⅛	0	4.82
Ireland 5⅛ 93	30	100¼	100⅝	0	-0⅛	5.02
Norway 5⅛ 95	50	101	101¼	-0⅛	0	4.91
Rep. of Italy 5⅝ 92	150	103⅛	103⅝	-0¼	-0⅛	4.56
Sweden 4⅝ 93	50	99⅝	99⅞	0	0	4.68
World Bank 5½ 92	50	103¼	103½	0	0	4.51

Average price change... On day -0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10¼ 93 £	50	98⅜	98⅞	+0⅛	-0¼	10.64
Alg. Bk. Ned. 5½ 92 FL	150	98¾	99¼	0	+0⅛	5.83
Alg. Bk. Ned. 5¾ 93 FL	200	98⅞	99⅜	-0⅛	0	5.97
Amro Bank 6¼ 92 FL	150	100⅝	101⅛	-0⅛	-0¼	5.97
Aust.Ind.Dev. 12⅞ 93AS	100	98⅛	98⅝	-0¼	-0⅛	13.31
Barc. Bk. 10¼ 97 £	250	96¾	97¼	-0⅛	-0⅛	10.78
BP Capital 9¾ 93 £	100	95⅞	96⅜	-0¼	-0⅛	10.87
British Airways 10 98 £	100	94¼	94¾	-0⅛	-0⅞	10.95
Buhrmann-Tet. 6⅜ 93 FL	100	100½	101	-0⅛	0	6.17
C.I.B.C.Mort.10⅞ 93 C$	100	†99⅛	99⅝	-0⅜	-0⅞	10.91
Comm.Bk.Aust. 12⅝ 93A$	100	97	97½	-0¼	-0⅛	13.42
Coop.Ctr.Rabo.6¼ 93 FL	100	100½	101	-0¼	-0½	6.03
Coop.Ctr.Rabo.6 92 FL	200	100⅛	100½	0	-0⅛	5.87
Denmark 7¾ 92 ECU	100	†103	103½	0	-0¼	6.57
Dixons 11 95 £	90	†97⅛	97⅝	-0¼	-1¼	11.61
Deut.Bk.Aust.12¾ 95 AS	70	99½	100⅛	-0⅛	-0⅛	12.77
Eastman Kodak 13 90 AS	100	97⅛	97¾	+0⅛	0	14.60
E.I.B. 7 96 LFr	100	*†97⅝	98⅜	0	0	7.31
Elec.France 10¼ 95 C$	125	†99	99½	-0⅜	-0⅞	10.39
Euratom 7⅛ 97 ECU	145	96⅞	97½	-0⅛	-0¼	7.86
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†97	97½	-1⅛	-1¼	10.68
Ford Cr.Can.10¼ 93 C$	100	†100	100½	-0⅛	-0¼	10.64
Gillette Can. 9⅝ 93 £	70	94⅛	94⅝	0	-0⅛	11.21
G.M.A.C. 9¾ 93 C$	150	†97	97½	-0⅛	-0½	10.52
G.M.A.C. 9¼ 92 C$	75	†95	96	-0¼	-0¼	10.82
G.M.A.C Aus. Fin.14 90 A$	50	99½	100⅛	0	-0⅛	14.03
Halifax BS 10⅛ 97 £	100	96½	97⅛	-0¼	-1⅜	10.97
Imp Chem Inds 10 03 £	100	94¾	95¼	-0¼	-0⅞	10.68
Inv.Industry Int.10 93 £	60	96⅛	96⅝	0	-0½	11.05
Lloyds Bank 10¼ 98 £	150	94¾	95¼	0	-0½	11.12
Montreal Tst.10¾ 93 C$	100	†99¼	99¾	-0⅞	-1	10.86
Nat. West.Bk.13⅛ 92 A$	50	†99⅜	99⅞	+0⅛	-0¼	13.25
Nationwide BS 10⅛ 93 £	75	96⅛	96⅝	0	-0⅛	11.18
Ned.Midd.Bank 6 92 FL	150	99⅞	100½	-0⅛	-0¼	5.94
New Zealand 9½ 93 £	100	94¾	95¼	0	-0⅜	10.94
New Zealand 7¾ 93 ECU	200	100½	101	0	-0¼	7.52
Oesters.Ktbk.13⅝ 94 AS	75	101¾	102⅜	-0¼	-0⅛	13.07
Philips Gleoil. 6 93 FL	300	100⅛	100⅝	-0⅛	-0⅛	5.90
Prudential Fin.9⅝ 07 £	150	89⅜	90	-0⅛	-1	10.67
Royal Bk.Scot.10⅝ 98 £	125	96⅜	97	-0⅛	-0⅛	11.25
Saskatchewan 9⅞ 91 C$	150	†97⅞	98⅜	-0⅜	-0⅞	10.67
S.D.R. 7¾ 95 ECU	90	†99¾	100¼	0	-0¼	7.74
World Bank 5¾ 92 FL	100	99½	100⅛	0	-0¼	5.82
World Bank 13⅛ 92 AS	100	†100⅝	101⅛	+0⅛	-0⅞	13.00
Zentrspk. 13¼ 93 A$	75	98⅞	99⅛	-0⅛	-0¼	13.59

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.75	99.80	21/01	10.99
Belgium 91 US	0	100.09	100.19	21/02	9
Britannia 5 93 £	0⅛	99.94	99.99	10/01	12.12
Chase Manhattan Crp.91 US	0¼	99.50	99.67	22/02	8.94
Citicorp 98 US	†0¼	98.05	98.30	30/11	8.94
Credit Foncier 98 US	.063	99.64	99.74	20/10	5¼
EEC 3 92 DM	10	101.11	101.21	22/02	5.63
Halifax BS 94 £	.1	99.92	99.97	8/02	12.29
Invt. In Industry 94 £	0	100.04	100.14	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.02	100.07	13/01	10.44
Midland Bank 01 £	.1	96.00	97.00	11/02	11.41
Milk Mkt.Brd. 5 93 £	0⅛	99.87	99.93	30/12	12.06
New Zealand 5 97 £	.07	100.14	100.24	18/11	11.62
New Zealand 5 01 US	0	99.77	99.87	4/02	8.62
State Bk. Nsw. 98 US	.188	100.34	100.43	13/02	8.87
Woolwich Equit.BS. 93 £	0⅛	99.93	99.98	13/01	12.12
Woolwich 5 95 £	0⅛	99.91	99.96	21/11	11.62

Average price change... On day +0.06 on week +0.04

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	100⅞	101⅛	-0¼	22.48
Alco Health 6⅞ 01 US	†7/86	26.25	104½	106½	-1	-1.55
Amer. Brands 7⅞ 02 US	9/87	56.7	103	104	-0¼	13.40
Ashikaga Bank 2⅛ 02 US	4/87	967.	152	153	+3	9.71
Asics 5 92 DM	12/83	472.7	195½	196⅞	-0⅛	3.27
CBS. Inc. 5 02 US	4/87	200.	90⅛	91⅛	-1⅛	8.61
Fujitsu 3 99 US	5/84	1106.	254½	255½	+12½	2.66
Land Secs. 6⅜ 02 £	6/87	6.72	97⅞	98¾	+0⅛	13.05
MCA Inc 5⅛ 02 US	9/87	69.62	80⅛	81⅛	-0⅛	27.58
Minolta Camera 2¼ 94DM	2/86	1004.	97⅛	98⅛	-0⅛	25.55
Mitsubishi Bk.1¾ 02 US	9/87	3157.	133	134½	+0⅛	4.06
Mitsui Trust 2⅞ 01 US	10/86	1903.	140	141	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price

† Only one market maker supplied a price

[illegible]

Bank Leu completes placement

By Our Financial Staff

BANK LEU, the big Swiss bank, has completed a private placing of shares in a move which many bank industry observers interpret as an attempt to head of an unwelcome takeover bid.

The shares, which are reckoned to have a market value of around SFr249m ($172m), had been placed with existing and friendly shareholders, Bank Leu said yesterday.

It said the placement had been with Adiainvest, which is linked to the Adia employment agency group, and with other major existing Bank Leu shareholders represented by Lombard, Odier, the Geneva private bank.

The placement consisted of 38,080 bearer shares and 52,880 of two types of registered share.

Mr Kurt Schiltknecht, Bank Leu's chairman, was at some pains to stress yesterday that the placing was not a defensive move.

"We have always wanted to have a certain stability in the shareholdings and to have several large shareholders," Mr Schiltknecht said. "We did not want to be taken over some time in the future or to have uncertainty and rumours in the market."

Bank Leu shares have been very firm over the past couple of months, with the smaller SFr100 nominal registered shares particularly active.

Swiss group to help foreigners invest in drugs

By William Dullforce in Geneva

A SWISS holding company, Pharma Vision 2000, has been set up to place funds in the pharmaceuticals industry. It offers an opportunity for foreign institutional investors to buy registered shares in Swiss companies which they would normally not be able to acquire through the stock exchange.

Registered in the canton of Glarus, Pharma Vision is under majority Swiss control but includes unnamed foreigners among the dozen initial shareholders.

It has an initial fully paid up capital of SFr250m ($173m) and available reserves of SFr300m. Capital is divided into 450,000 registered shares with a nominal value of SFr100 and 410,000 bearer shares of SFr500 nominal.

Pharma Vision will remain under majority Swiss control — and thereby be able to buy the registered stock of Swiss companies — but does not exclude new foreign shareholders, Mr Peter Hefti, its chairman, said yesterday.

The company has already acquired a portfolio with a current market value of just under SFr600m which includes 1,500 Roche bearer shares, 20,000 Sandoz registered shares and 10,000 Ciba-Geigy registered shares.

Mr Hefti said Pharma Vision was not interested in takeovers, would buy only minority stakes, and had no intention of meddling in the management of the companies in which it invested.

INTERNATIONAL CAPITAL MARKETS

Bumpy slipway for Prato lifeboat

Alan Friedman on the Italian bank's controversial rescue package

The town of Prato is a busy little textile centre about 20 minutes up the motorway from Florence, with an industrious citizenry and numerous clothing and yarn businesses. Apart from a respected economics institute and a brand new museum of contemporary art, Prato is a relatively undistinguished place. Like many other provincial market centres in Italy it boasts a Cassa di Risparmio, or savings bank, where most locals deposit their earnings.

On Wednesday evening the Cassa di Risparmio di Prato was hit by more than a £1bn of bad debts and a run on deposits by savers that saw the bank's deposit base shrink by 25 per cent – was saved from liquidation. Italy's Deposit Guarantee Fund, which was established last year with the memory of the 1982 crash of Banco Ambrosiano on everyone's mind, has thus embarked upon its first-ever lifeboat operation, in this case with a commitment of L1,100bn ($860m).

The rescue of Prato, however, is not without controversy. It has led to criticism of the Bank of Italy, whose original lifeboat plan fell away two days ago as several banks balked at putting up cash. It has raised questions about the mechanics of the new Deposit Guarantee Fund, an Italian version of America's Federal Deposit Insurance Corporation (FDIC), funded by pro-rated contributions from Italian banks.

In particular, the Deposit Guarantee Fund does not have enough paid-in funds to hand over the L1,100bn needed to rescue Prato in one go. The fund is promising L800bn down and possibly a further L300bn early next year, assuming Italy's 1,105 banks succeed in replenishing the fund.

Finally, just to complicate the picture, there is a strong suggestion in banking circles that an investigation is underway into suspected fraud and embezzlement.

The Prato story, more than anything else, illustrates the difficulty of supervising Italian banks and institutionalising an Italian-style FDIC. Prato does not have the international implications of an Ambrosiano affair, but it is a cautionary tale for the Italian banking system.

The Bank of Italy has sent inspectors into Prato three times since 1986. In the spring of 1987, clearly concerned, the central bank forced the replacement of top management. Last January, with bad debts piling up as losses hit the local textile industry, the central bank put pressure on other local savings banks to inject L200bn of fresh capital into Prato.

Two months ago, with the run on deposits worsening, the central bank took a more drastic step and sent in commissioners to take over the running of Prato. At the same time the Guarantee Fund stumped up L200bn of its L1,000bn capital to bolster Prato.

In recent weeks Mr Francesco Bignardi, a conservative 68-year-old banker who runs Credito Romagnolo, a private Bologna bank, has worked hard in his capacity as president of the Guarantee Fund to mount the rescue. The plan originally favoured by Mr Bignardi and Mr Carlo Azeglio Ciampi, governor of the Bank of Italy, was for the Guarantee Fund to put up L650bn, with a further L350bn coming from other Tuscan savings banks and the final L100bn from a pool of six big national banks led by Banca Nazionale del Lavoro (BNL), Italy's biggest state bank.

Carlo Azeglio Ciampi: backed original rescue proposal

Mr Nerio Nesi, BNL's chairman, has been among the most outspoken critics of the lifeboat plan, and together with other bankers he has balked at putting in money "beyond our contribution to the Guarantee Fund." Mr Nesi says he is "enormously perplexed" about the Prato rescue and says specifically that he has doubts about intervention which effectively makes the fund the majority shareholder of Prato.

The reluctance of BNL and others to join the lifeboat directly has resulted in the Guarantee Fund taking on the entire burden. This reluctance is reminiscent of the way several French banks refused to join a lifeboat last month for the troubled Al Saudi Banque, which was eventually recapitalised by a group of commercial and financial creditors.

A lack of full and detailed information about Prato means it is premature to cast blame upon the central bank or the fund's original rescue plan. What is being pointed out by the central bank and Mr Bignardi is that Prato is a seminal test case for the Italian banking system. Its degree of success in coming weeks will thus provide proof that six years after Ambrosiano a system of collective responsibility can be invented and made to work.

Citicorp to streamline Scrimgeour Vickers

By David Lascelles, Banking Editor

LOW LEVELS of international dealing volume have forced Citicorp to rationalise its international Asian equities business.

The New York-based banking group announced yesterday that it will cease cross-border selling of Asian equities from the Far East into London and New York.

In Europe, this business will in future be integrated into the existing UK and European business, and in New York it will be reduced and consolidated within Lynch Jones and Ryan, Citicorp's US brokerage.

The changes will result in a loss of 38 jobs in Europe and 37 in New York. Citicorp will try to redeploy affected staff.

The group said yesterday: "This rationalisation is due to the lower levels of activity in the international equities markets. Citicorp remains committed to building a strong and profitable equities business."

The cut affects chiefly the business of Vickers da Costa, the brokerage specialising in the Far East which Citicorp acquired in 1986. The firm's name was later changed to Citicorp Scrimgeour Vickers International.

German equities index warrants

By Dominique Jackson

DEUTSCHE Bank (Suisse) and Bankers Trust in Zurich are joint lead managers on an issue of warrants on the Frankfurter Allgemeine Zeitung equity market index. The warrants have a maturity of around three years and entitle the investor to purchase call and put warrants on the FAZ index, which is the most popular share index of the German exchanges and is calculated daily from the spot rates of 100 shares quoted on the Frankfurt Stock Exchange.

The lead managers said these warrants represent the first options on the German stock market as a whole.

Dollar intervention fails to stabilise US Treasuries

By Janet Bush in New York and Norma Cohen in London

US TREASURY bonds once again tracked the dollar, stabilising yesterday morning as the US currency appeared to respond to co-ordinated central bank support and then slumping again as selling pressure on the dollar resumed.

In late trading, prices were quoted as much as ¾ point lower at the long end of the yield curve and the yield on the Treasury's benchmark long bond rose to 9.16 per cent.

Yesterday's intervention was the first time the central banks have given a show of strength during the dollar's decline this autumn although one US economist still described the effort as half hearted. The participation of the Bundesbank was temporarily effective as the West German central bank has not been seen in the market supporting the dollar for some time.

The dollar took some time to respond to the central bank activity but finally started to rally as the US Federal Reserve was reportedly intervening repeatedly during the New York session.

However, it again turned lower in afternoon trading to be quoted in late business at Y122.15 compared with an earlier high of Y123.10 and at DM1.7230 from DM1.7375 earlier.

Bonds were also undermined yesterday by figures showing a much larger than expected 7.2 per cent jump in housing starts in September and, in the afternoon, prices slipped after the results of the 30-year bond auction were announced.

It was not a bad sale, but there was apparently some optimism about aggressive bidding just before the auction that did not materialise.

The market now faces more supply with a $9bn auction of two-year notes on November 22 and $7.5bn of five-year notes on November 23.

Some talk about a higher discount rate has begun to surface and the rise in short-term interest rates in the last three days now seems to factor in a Fed tightening.

GOVERNMENT BONDS

UK GOVERNMENT bond prices closed lower with index-linked issues – the worst hit sector – giving up nearly a half-point. Dealers noted early buying in conventional issues from accounts eager to cash in on the drop in prices on Wednesday. But there is widespread market reluctance to part with stock, since buying it back can be problematic.

Trading for most of the day was dull, with activity limited to portfolio adjustments as dealers awaited results of the US Treasury's auction of new 30-year bonds. The reception for the bonds is likley to set the tone for both Wall Street bonds and the gilts market.

Also, key UK data is due today, including the retail price index for October, and dealers were reluctant to adopt fresh positions. In particular, the markets are awaiting the bank and building society lending data for October, expected to be lower than September's £7.7bn. But if lending does not show signs of moderating – as it should with current high interest rates – the markets could give up more ground.

FRENCH government bond prices closed unchanged, although slippage for the franc prompted all sorts of speculation about imminent interest rate hikes to defend it. The French franc slipped to just above its floor against the D-Mark within the EMS of FFr3.43. As a result, there was widespread speculation that the Bank of France would raise its 7¾ per cent intervention rate at its securities repurchase tender in early afternoon. It left the rate unchanged and added nearly FFr51bn to the money markets, replacing about FFr54bn in maturing securities, suggesting that it is willing to meet nearly all the market's need for liquidity.

Among longer dated issues the 8½ per cent Obligations Assimelees du Tresors (OATs) due 1997 were unchanged at a yield of 8.70 per cent, aided by some encouraging data showing inflation for September at a year-on-year rate of about 3 per cent. Dealers said that any rise in short term rates will be seen as a temporary phenomenon aimed at defending the currency and that longer rates are unlikely to move with them.

IN WEST Germany, government bond prices closed five to 10 basis points easier after having opened 20 to 30 basis points below Tuesday's levels. On Wednesday, government bond markets were closed for a national holiday.

Dealers said prices of bunds had edged down, in line with prices of US Treasuries, in light turnover.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-18	-2/32	10.42	10.27	9.97
		8.750	9/97	93-13	-1/32	9.89	9.71	9.59
		9.000	10/08	98-30	+2/32	9.11	9.03	8.94
US TREASURY*		9.250	8/98	100-28	-16/32	9.11	8.92	8.77
		9.125	5/18	99-16	-21/32	9.17	8.99	8.88
JAPAN	No 105	5.000	12/97	102.2378	-0.361	4.65	4.57	4.78
	No 2	5.700	3/07	107.5210	-0.522	4.92	4.89	5.05
GERMANY		6.750	8/98	102.5000	-0.400	6.42	6.37	6.41
FRANCE	BTAN	8.000	10/93	97.7052	-	8.58	8.52	8.55
	OAT	9.500	5/98	104.0250	+0.125	8.84	8.80	8.87
CANADA*		10.250	12/98	100.6250	0.000	10.15	10.09	9.74
NETHERLANDS		6.7500	10/98	102.4200	-0.130	6.48	6.41	6.32
AUSTRALIA		12.500	1/98	102.4085	-0.362	12.05	11.93	11.90

London closing. *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

HK ruling backs broker

By Michael Marray in Hong Kong

A HIGH COURT judge in Hong Kong yesterday ruled that trading in Hang Seng Index Futures Contracts was not a form of illegal gambling, in a test case ruling which looks set to clear the way for hundreds of actions to recover debts incurred by investors in the wake of last year's stock market crash.

Finding himself being sued for HK$537,000 (US$68,846) by a broker, Richardson Greenshields of Canada, Mr Keung Chak-kin, a local vegetable trader, sought to rely upon the novel defence that his futures trading activities were contrary to the 1710 Gaming Act, an obscure law which still applies in Hong Kong, where horse racing provides the only legal form of gambling.

But after several days of legal argument Mr Justice Sears yesterday ruled against the application.

Some HK$1.8bn was needed to bail out the Futures Exchange after the October 1987 stock market crash.

Matif plans 'local' floor

By George Graham in Paris

FRANCE'S MAIN financial futures market, the Matif, has announced plans to introduce "local" floor traders dealing on their own account from the beginning of next year.

The locals will have to be sponsored by a corporate member of the Matif and clear their transactions through that member, but will have to post a personal deposit of only FFr100,000 (around $17,000).

It is hoped that the locals will improve the liquidity of the market, whose principal contract is based on 10-year French Treasury bonds.

At the same time, the competing private futures market, OMF, announced the creation of a new European-style option on its stock index future – exercisable only at maturity, and not throughout its life like an American-style option, to meet a specific demand from mutual fund managers – as well as a new futures contract based on five-year Treasury bills.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section — Thursday November 17 1988

1	CAPITAL GOODS (209)	[illegible]
2	Building Materials (28)	[illegible]
3	Contracting, Construction (36)	[illegible]
4	Electricals (11)	[illegible]
5	Electronics (30)	[illegible]
6	Mechanical Engineering (56)	[illegible]
8	Metals and Metal Forming (7)	[illegible]
9	Motors (16)	[illegible]
10	Other Industrial Materials (23)	[illegible]
21	CONSUMER GROUP (187)	[illegible]
22	Brewers and Distillers (21)	[illegible]
25	Food Manufacturing (21)	[illegible]
26	Food Retailing (16)	[illegible]
27	Health and Household (12)	[illegible]
29	Leisure (31)	[illegible]
31	Packaging & Paper (17)	[illegible]
32	Publishing & Printing (19)	[illegible]
34	Stores (34)	[illegible]
35	Textiles (16)	[illegible]
40	OTHER GROUPS (92)	[illegible]
41	Agencies (19)	[illegible]
42	Chemicals (22)	[illegible]
43	Conglomerates (12)	[illegible]
45	Shipping and Transport (12)	[illegible]
47	Telephone Networks (2)	[illegible]
48	Miscellaneous (25)	[illegible]
49	INDUSTRIAL GROUP (488)	[illegible]
51	Oil & Gas (12)	[illegible]
59	500 SHARE INDEX (500)	[illegible]
61	FINANCIAL GROUP (124)	[illegible]
62	Banks (8)	[illegible]
65	Insurance (Life) (9)	[illegible]
66	Insurance (Composite) (7)	[illegible]
67	Insurance (Brokers) (7)	[illegible]
68	Merchant Banks (11)	[illegible]
69	Property (52)	[illegible]
70	Other Financial (31)	[illegible]
71	Investment Trusts (77)	[illegible]
81	Mining Finance (2)	[illegible]
91	Overseas Traders (8)	[illegible]
99	ALL-SHARE INDEX (711)	[illegible]
	FT-SE 100 SHARE INDEX	1823.6

FIXED INTEREST

	PRICE INDICES	
	British Government	
1	5 years	119.30
2	5-15 years	136.24
3	Over 15 years	147.29
4	Irredeemables	169.01
5	All stocks	133.43
	Index-Linked	
6	5 years	130.55
7	Over 5 years	127.30
8	All stocks	127.54
9	Debentures & Loans	118.48
10	Preference	86.90

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	103	7
Corporations, Dominion and Foreign Bonds	5	20	26
Industrials	366	356	854
Financial and Properties	118	140	409
Oils	29	25	50
Plantations	2	0	11
Mines	25	66	98
Others	22	138	84
Totals	568	848	1,539

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Nov 7
- Last Dealings Nov 18
- Last Declarations Feb 9
- For settlement Feb 20

For rate indications see end of London Share Service

Calls in Plessey, Blue Arrow, Clogau Gold, Lonrho, Hambro Countrywide, BP, Tubular Expl, Far East Res, Blacks Leis, Pentland, Capital Radio, Thomson T Line. Puts in Christy Hunt, Wood (JD).

LONDON TRADED OPTIONS

[illegible]

November 17. Total Contracts 59,270 Calls 45,235 Puts 14,035
FT-SE Index Calls 4179 Puts 4451
*Underlying security price.

GPT helps Plessey advance 10% to £75m

By Terry Dodsworth

THE PLESSEY Company, the UK electronics group which received a £1.7bn takeover bid from General Electric Company and Siemens earlier this week, yesterday announced a 10 per cent rise in profits on a sales increase of 15 per cent for the half-year to September 30.

The figures, towards the lower end of City expectations, included the first six months' results from GPT, the joint telecommunications company set up with GEC earlier this year.

Following a contribution of £20.4m from Plessey's 50 per cent stake in GPT, pre-tax profits amounted to £75m against £68.2m in 1987, with earnings per share rising to 6.37p from 6.03p. Turnover jumped to £692.6m, of which £247.6m was attributable to GPT, compared to £603.4m in the same period of last year.The board lifted the interim dividend 10 per cent to 2.621p.

Sir John Clark, Plessey's chairman, said that the results confirmed his view that the company was back on a growth path, although a great deal of integration work remained to be done on the company's recent acquisitions. "We cannot expect some of these benefits to flow through before 1989/90," he said.

Plessey's shares, which rose by 48½p in the wake of the bid, fell back by 2½p yesterday to 221½p, 3½p below the 225p-a-share cash offer from the GEC-Siemens consortium.

Analysts generally attributed the decline to a combination of uncertainties over whether the offer would be referred to the Monopolies and Mergers Commission, and disappointment that Plessey had not met the more bullish City forecasts.

GPT and Plessey's micro-electronics activities were the two strongest performers among the group's five operating divisions. At GPT, operating profits leapt by 51 per cent to £21.7m (£14.4m), while sales rose to £247.6m (£231.8m).

Profits in the micro-electronics division were up by 46 per cent to £7m (£4.8m), while sales jumped to £96.9m (£65.6m). These figures, however, included the results of the Ferranti Semiconductor division acquired about a year ago.

The defence business, Plessey's largest single division, showed only a marginal increase in operating profits at £22.5m (£21.3m), despite a rise in turnover to £248.9m (£214.4m). Aerospace operating profits rose to £10.2m (£9.2m), with turnover up to £60.4m (£54.6m), while the computing services division saw profits rise to £8.7m (£7.2m) on a sales increase to £48.3m (£32m).

Despite a substantial growth in the Plessey order book, up to £2bn (£1.44bn), analysts were largely sceptical about the group's ability to meet earlier City forecasts of pre-tax profits of about £200m for the year. Some forecasts are now being scaled back to about £195m, which would put the shares on a p/e of just over 13.

Gradually prodding a slumbering giant into action

Terry Dodsworth profiles Siemens and charts the way it is preparing itself for 1992

SIEMENS is one of West Germany's most respectable blue-chip companies, as solid as a bank, and almost as predictable. Indeed in Germany, it is often jokingly accused of actually being a bank, a reference to its cash board of almost £7bn, and its aversion to spending any of it.

So its collaborative bid with the General Electric Company for Plessey reveals a new streak of adventurousness.

This is not to say that Siemens does not play the acquisition game. It does. But its purchases are generally small, and when they are larger they are normally agreed. It is not the sort of company to expose itself to the hurly-burly of a hostile takeover battle in the full glare of City publicity.

The fact that the company has decided to pitch into the UK acquisitions scene therefore underscores *two points*.

First of all, large-scale takeovers, however messy they might be, are now a key element in expanding rapidly in the overcrowded European telecommunications market – the sector at which Siemens seems to be mainly aiming in the Plessey bid. The option of steady organic growth is disappearing for the larger companies in the region. For them, the pressure is on to move quickly to establish strong market positions as the trade barriers come down in 1992.

Second, the proposed deal shows that Siemens is itself changing. The company is becoming more aggressive, less introverted and steadily more flexible in the way that it does things. This evolution is a slow one, unmarked by any sudden switch of direction. But in the 1980s, since the arrival of Mr Karlheinz Kaske as chief executive in 1981, the group has taken two crucial initiatives which will mark its future for better or worse throughout the rest of this century.

● In the electronics field, the company has taken a big financial gamble on an attempt to move into the memory chip business.

This is the area of semiconductor manufacturing which the Japanese electronics industry has come to dominate in the last 10 years, driving out most of the main American competitors in the process.

Mr Kaske, however, decided to back the drive into memories on the grounds that the production technology for these chips was a critical element in the ability to make other kinds of more complex semiconductors.

He has pushed Siemens steadily towards an increasing interest in electronics, developing an integrated structure in which the group is able to supply the components for other activities, such as factory automation controls or car electronics, where semiconductors are an integral and important part of the end product.

● On the management side, Mr Kaske is now attempting to push through the most radical reorganisation Siemens has seen in decades.

In common with many West German companies, Siemens is run on highly bureaucratic lines. At the top of the company there is a large, 33-strong executive board. Mr Kaske heads this as a sort of *primus inter pares*, but decisions are essentially collective. Because of the size of this executive committee, they tend to emerge agonisingly slowly.

A constant theme of Mr Kaske's period in office has been the need to react more quickly. He wants the company to respond to market conditions more flexibly and to bring new products to the market more swiftly.

In an attempt to tackle these issues, the McKinsey management consulting company was brought into Siemens last year.

Since then, the company has developed a new organisation structure, which is now being introduced. In broad terms, this is designed to break up the group's seven main operating divisions into 18 smaller, and more focused enterprises, while pushing a large part of the central administrative divisions out into the operating organisations.

Thus a large part of the finance, marketing, personnel and research and development activities are being shunted out of the central headquarters in Munich.

At the same time, the executive board is being trimmed down to around 10 individuals. Most of these will be executives without direct day-to-day divisional operating responsibilities. The aim is to reduce the conflict of interest that has existed between the different divisions with their large representation of operating management on the present executive board. Instead, the new central committee is intended to be able to adopt a more strategic view of the future.

While these changes have begun, they are moving slowly. Indeed, there is a great deal of scepticism in the financial community that Siemens, with its huge 350,000-strong workforce, can ever bring itself to move with the speed that characterises many of its US and Japanese competitors. But critics and supporters alike agree that change is vital.

One example is in the telecommunications field, where Siemens is one of the world top three or four suppliers. Its prices tend to be higher than those of most of its competitors, and even the Bundespost, the faithful customer on which Siemens' strength in this field has been built, has recently begun to complain vigorously about its failure to deliver competitively-priced products on time in the fast-developing field of mobile communications.

This is precisely the sort of growing, competitive market place which Mr Kaske believes Siemens has to conquer to ensure its future.

One point that Siemens has in its favour in this process is its size and potential for improvement. With its large cash balances it can carry the big investment in reorganisation and research and development on which it has embarked. And it has a collection of soundly-based and largely cash-generative businesses.

In factory controls, for example, it vies with Honeywell of the US for world leadership, a position which is helped by the healthy demand for production line equipment in West Germany. The group's medical electronics company is reckoned to be second only to that of General Electric of the US, and in power engineering it dominates the German scene. It is also one of the leading indigenous European computer suppliers, a position which is again helped by its position in West Germany.

Yet despite all these strengths, Siemens, like all the other European giants that have grown fat on protected markets, is now under the pressure of time. The one thing it cannot control is the process of market integration launched by the European Commission.

It has to react now – and that is what it has done in its uncharacteristically aggressive move into the British market.

Tough trading in second half holds Burton rise to £211.7m

By Maggie Urry

FURTHER evidence of difficult trading conditions in retailing came yesterday from Burton, *which reported results for the* year to end August. Group sales rose by 19 per cent, from £1.34bn to £1.6bn, but growth in profits was less strong, up 15 per cent from £183.4m to £211.7m. The shares fell 7p to 190p on the news.

A final dividend of 6p (5.2p) is proposed, making a total for the year of 8.4p (7.2p).

Sir Ralph Halpern, chairman, said retailing conditions were tough in the second half of the year, and predicted more difficult times to come.

Mr Michael Wood, finance director, said turnover from the retailing businesses was 20 per cent up at £1.5bn, while trading profits were 15 per cent higher at £180.7m. There had been a squeeze on margins, particularly in the second half when Burton had to mark *down stocks to* clear them. Trading margins fell from 12.6 per cent to 12.1 per cent.

Sir Ralph said that Debenhams, acquired in 1985, had increased sales by 28 per cent and profits by marginally more than the group average.

Good performances came from the Top Man, Principles for Men, Champion (sportswear), Dorothy Perkins (womenswear) and Evans (womenswear) chains. The performances of Burton Retail (menswear) and Principles for Women were "satisfactory." Harvey Nichols, the Knightsbridge department store, suffered a fall in profits.

Profits of Top Shop, the young womens' fashion chain, fell 11 per cent, despite a rise in sales. Sir Ralph said the number of 15 to 19-year-old customers had declined and Top Shop would be repositioned to capture the market from 20 to 30-year-olds. Harvey Nichols had been disrupted by its modernisation programme.

Mr Wood said *higher interest* rates squeezed financial services margins, trading profits rose only 6 per cent to £34.3m.

Burton's property development and trading activites contributed £14.2m to trading profits, a rise of 48 per cent.

The interest charge rose from £17.7m to £19.1m. Mr Wood said debt had risen during the year from £222m to £275m and gearing had edged higher to 44.4 per cent.

Earnings per share (fully diluted) were 23.5p (20.2p).

Novel solution to convertible interest

BURTON showed other issuers of convertible bonds with put options a way *to avoid* providing for the interest which would be payable if the put is exercised. It has changed the terms of its £110m convertible issue *to make early* redemption at the holders choice less likely, writes Maggie Urry.

Holders of Burton's 4¾ per cent convertible, dated 2001, issued in February 1987, are entitled to demand redemption at a price of 136.5 per cent of the par value in August 1992, *if they have not converted the* bonds into shares by then.

The conversion price is 315p and with Burton's shares languishing at 190p, down 7p yesterday, conversion does not make sense. Thus Burton would have had to make a provision against its profits for the redemption premium, spread over the intervening years.

Now Burton is giving bondholders an extra chance to *redeem* the bonds, in August 1997, at a price of 190.65 per cent of par value, giving a yield to redemption at the same rate as to the 1992 put.

In so doing Burton *is* encouraging holders to keep the bonds until 1997, giving the shares a *further* five years to reach a price where conversion becomes sensible. Burton can *force holders to* convert if the share price reaches 410p.

By reducing the probability of a forced redemption in 1992, Burton does not need to pro*vide for the possible payment.* It is also taking powers to increase the coupon on the bonds and to resell any bonds which are put in 1992.

Some other companies which have such bonds outstanding have provided for the interest which may become due – such as Next, Ratners, Storehouse and Argyll. Tesco did not make such a provision in its recent interim figures, because its share price was not as far adrift from the conversion price. Ratners said yesterday that it was looking at Burton's solution and at others.

The trustee to the bond issue, Law Debenture, has approved the changes, which *do not detract from bondhold*ers rights. S. G. Warburg, the merchant bank, devised the new terms.

See Lex

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BAA	int	3.5	-	3	-	7.25
Beecham	int	6.3☆	-	5.6	-	14.3
British Telecom	int	4.25	Feb 13	3.75	-	9.5
Burton	*fin*	*6*	*Feb 17*	*5.2*	*8.4*	*7.2*
C'bridge Instrum	int	0.24	-	0.22	-	0.77
Capital Radio	fin	7	Jan 20	4	10	6
Davy Corp	int	2.5☆	Feb 8	2	-	6.25
Foster (John)	int	1.75†	Jan 13	1.5	-	4.75
Hanover Druce	int	1.5	-	1.35	-	4.35
Jessups	*fin*	*4.25*	*-*	*3.5*	*8.25*	*5.25*
Locker (Thos)	int	0.37	Jan 3	0.375	-	1.425
Morland	fin	6.25	-	5.4	9.05	7.9
Multitrust	int	0.5	-	-	0.5	1.5
Plessey	int	2.621‡†	Mar 1	2.383	-	6.659
Redfearn	fin	11	Feb 22	6.5	14	9.5
Shires Inv	*int*	*3.35♠*	*-*	*3.15*	*6.7‡*	*14.75*
600 Group	int	2.46	Jan 16	2.34	-	5.775
Trevian Hldgs §	int	1.25	Jan 2	-	-	1
Witan Inv	int	1.3‡	-	1.05	-	2.5
Young Brewery	int	4.7	-	4.5	-	9.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Carries scrip option. ♠Second interim. ‡Total to date. ‡To reduce disparity.

UK COMPANY NEWS

600 Group tops £4m to beat estimates

By Clare Pearson

THE 600 GROUP, restructured machine tool company, yesterday beat analysts' expectations with results for the six months to end-September showing pre-tax profits up from £1.45m to £4.32m.

The property surplus of £673,000 (£211,000) and trading profits of £3.61m (£1.85m) both came out better than the City had anticipated.

The company announced a 5 per cent increase in the interim dividend to 2.46p and said there were sufficient grounds to believe the improved trading performance would continue, despite economic uncertainties.

Mr Noel Davies, chief executive, said order books for machine tools were at the best levels seen for some years. At the same time, the company was now much better placed to deal with any downturn in demand because it was subcontracting out more of its manufacturing work, and continuing to diversify.

All three divisions – UK manufacturing, UK trading and overseas – grew in terms of turnover and profit. The best margin improvements were seen in the overseas operation, where buoyant demand for machine tools, particularly in the US, was currently running ahead of supply.

Ealing Electro-Optics, the optical equipment group bought in the summer, was performing up to expectations, and made a one-month contribution of about £100,000.

Group turnover amounted to £68m (£59m). Tax took £1.03m (£31,000) and earnings per share came out at 6.9p (3.2p).

● COMMENT

The recovery story at 600 Group started rather later than many of the others in the UK manufacturing sector and evidently has further to run, since its British machine-making capacity continues to be scaled down and upgraded. Meanwhile, the pruning process should be providing the useful side-effect of property gains at least up to the end of next year, as sales from the relocation of the Colchester factory come through. However, the shares already look fully-valued on a prospective p/e of about 9.5 assuming the company makes £8.5m, and the increase in the dividend to provide a yield of about seven per cent only puts them back in the running with other yield stocks.

BT boosted by UK postal strike

By David Waller

A STRONG rise in the volume of both domestic and international phone calls, stimulated by the UK postal strike, helped British Telecom achieve a 10.9 per cent increase in pre-tax profits for the three months to the end of September.

Pre-tax profits for the second quarter rose to £629m, taking the cumulative total for the first half to £1.24bn. Most analysts had been expecting a result in the £610-£615m range, and the shares were duly marked up 7p to 254p.

Earnings per share advanced by 15.4 per cent to 6.7p. At 4.25p per share, the interim dividend was 13.3 per cent higher than the payout in the first half of last year.

BT's volume of income from inland calls showed a year-on-year increase of 10 per cent, while revenue from international calls rose by 15 per cent. The number of business and residential lines grew by 9.3 and 3.4 per cent respectively.

Mr Graeme Odgers, group managing director, explained that September's postal strike delayed the despatch of bills to customers and the collection of receipts. As a result, trade debtors surged and the group's net cash flow from operations fell by £230m to £31m. Nevertheless, the net impact of the strike on earnings was positive.

The group's total sales over the second quarter showed an increase of 9.9 per cent to £2.78bn; over the first half as a whole, sales grew 10.2 per cent to £5.41bn. Other sales and services, which include the 60 per cent-owned Cellnet operation and the Yellow Pages directories, grew 13 per cent to £613m.

Net operating costs grew at 10.2 per cent, 0.5 per cent less than the rate of increase in operating profits.

Capital expenditure absorbed £649m over the three months, totalling 1.24bn over the half year.

Mr Odgers refused to give his views on the GEC/Siemens bid for a Plessey, a major BT supplier.

● COMMENT

No one set of figures from a company as large as British Telecom will ever set the market alight. Nevertheless, yesterday's second quarter results provide more evidence that the giant company is capable of generating strong growth in earnings and revenue, despite a freeze in the prices for the bulk of its UK services which dates back to November 1986 and will last at least until August next year. The rate of increase in revenue from both domestic and international calls will slacken over the full year, but that in itself is no reason why the company should not match the market in terms of earnings growth over the next five years. The shares still sit on a sub-market prospective multiple of around 9¼, assuming pre-tax profits of £2.5bn in the full year. This reflects fear about increased competition and a squeeze on margins after next summer's move to a less generous pricing formula, and yesterday's figures can be seen only as one more milestone on the road to BT's rerating as something other than a utility. In the meantime, the shares look attractive, yielding a prospective 5½ per cent.

John D Wood suffers substantial decline

By Andrew Hill

A DEARTH of well-heeled buyers and sellers of London homes has hit first-half profits at John D. Wood & Co, the upmarket residential estate agency.

Wood's shares fell 15 per cent yesterday after the company warned that profits for the six months to October 31 would be more than halved to about £430,000, compared with £1.02m in the equivalent period.

Mr George Pope, joint chairman and finance director, said the price of quality London property continued to rise, but homeowners had become cautious, especially in the second quarter of the financial year.

"I know that if we had some good things to sell at the moment we could sell them," said Mr Pope.

Wood, which said that its agricultural and country property divisions were increasing sales, added that full-year profits would not match the 1987-88 figure of £1.46m before tax, although trading conditions might recover.

Mr Pope said the group, which came to the USM in February 1987, had borne the cost of opening a new country office, and a new headquarters in London's Curzon Street in the first half. It had also had to maintain heavy promotional spending on advertisements in such publications as Country Life and the Financial Times.

The shares fell from 123p to 105p.

Young checked by bad summer

By Lisa Wood

YOUNG & Co's Brewery, London brewer, reports pre-tax profits of £2.42m for the six months to September 30, an increase of 9.4 per cent on the previous year's £2.23m.

Earnings per share were 12.19p, compared with 11.14p, and the interim dividend is 4.7p per share, against 4.5p.

Turnover was £23.43m (£22.48m) with trading profits at £2.42m (£2.36m). Property disposals, less investment write-offs, contributed £346,000 (£148,000).

Young, the products of which include Young's bitter and Ram Rod ale, said a poor summer had caused a 4.2 per cent drop in beer sales and affected profits.

Measures taken by the board, including re-organising the free trade sales, were starting to show improvements.

The group is seeking to develop hotels at several of its pub sites and planning permission has been obtained for the first, a 69 bedroom hotel at Greenford.

Wembley forges US links

By Nikki Tait

WEMBLEY, the sports stadium proprietor which recently had abortive talks with Mountleigh, property group, yesterday announced that it was taking a 20 per cent stake in United Tote, a US-based computerised wagering equipment supplier.

The stake is being acquired by Wembley Inc, a wholly-owned subsidiary, through a $6.7m (£3.72m) private placement of UT shares. The holding will amount to 418,000 shares, which Wembley will acquire at $16 apiece.

In addition to the direct stake, Wembley and UT are forming a joint venture company, United Track Management, which will acquire and operate racetracks in the US. Wembley will have 60 per cent of UTM, and UT the remainder. Wembley's initial investment will be about $300,000.

Wardle increases bid pressure

By Clare Pearson

MR BRIAN TAYLOR, chief executive of Wardle Storeys, plastic sheeting and survival equipment company, yesterday said he would now "stop pulling the punches" in the £85m bid for Armstrong Equipment.

Wardle expressed disappointment that Armstrong had issued a smart rejection of the offer announced on Wednesday. "Now we know they're not going to recommend our offer, we will begin to expose how truly dismal Armstrong's record is," Mr Taylor said.

The offer of three Wardle shares and 640p in cash for every 16 of Armstrong's yesterday valued the shares at 160p. They closed up 1p at 169p.

Redfearn rises to £5.26m and attacks PLM's offer

By Nikki Tait

REDFEARN, the UK's third largest glass container producer which is currently fighting a £54.6m cash offer from the Swedish PLM group, yesterday unveiled a 29 per cent increase in pre-tax profits to £5.26m in the 53 weeks to October 1.

The figures were disclosed in the British company's defence document, which argued that the offer represented an attempt to "buy the company on the cheap".

During the year, Redfearn sales increased to £110.25m (£70.24m), partially reflecting the acquisition of Flexpack in the summer of 1987.

On the rigid containers side, operating profits were up to £5.82m (£4.53m), although Redfearn said there was a £950,000 loss in PET, where "vigorous action" was being taken. Flexible packaging, which made a small loss in the first half, contributed £815,000 in the year overall, compared with the £178,000 for the two months post-acquisition last time.

The company is closing a Flexpack co-extrusion plant at Rossendale, and is providing for costs of more than £500,000 and asset write-downs of £1.86m.

At the earnings per share level, the figure is helped by the low 7 per cent tax charge, but there is still a small drop to 48.88p (49.69p). The final dividend goes up sharply to 11p, after an unchanged interim, to make a 47 per cent improvement on the year overall.

In the document, Redfearn argued that the multiple offered by PLM compares unfavourably with other exit multiples offered in the UK glass industry recently, and that since PLM is acquiring a "European Community bridgehead" should pay a significant premium.

Last night, SG Warburg, PLM's adviser, said that it saw nothing in the document which was not expected in the market, and added that shareholders could be forgiven for thinking that the dividend increase was defensive.

Shares in Redfearn added 1p to 532p yesterday, still below the 545p-a-share offer terms.

UK COMPANY NEWS

Beecham above estimates with 16% rise to £217m

By Peter Marsh

BEECHAM, pharmaceuticals and consumer-products company, yesterday reported a 16 per cent rise in interim pre-tax profits and said it had largely completed its programme of selling peripheral businesses.

Mr Bob Bauman, chairman, said the group, which has since 1986 sold roughly 20 businesses worth a total of £350m, was now concentrating on expanding core activities.

Taxable profits of £216.8m for the six months to September 30 1988 were slightly above observers' expectations, and were achieved on sales of £1.2bn, which, reflecting the disposal programme, was 0.5 per cent less than for the same period of 1987.

Earnings per share rose by 17 per cent to 17.51p and the interim dividend is set at 6.3p (5.6p). Trading profits were 9 per cent higher at £203.9m (£186.6m).

Beecham arrived at the pre-tax figure after making a upward adjustment to its profit level for the first half of 1987. This was to account for amortisation of goodwill that had arisen from earlier acquisitions.

Without restating last year's profit, which Beecham said was necessary to provide a more accurate view of the company's growth, the pre-tax rise would have been somewhat higher at 20 per cent.

Mr Bauman, who effected the disposal programme after taking over as chairman in September 1986, said that margins in all business segments had improved, reflecting tighter efficiency and financial controls.

Beecham was committed to spending more on research and development across the whole of its operations, Mr Bauman said. Spending in this area during the period rose 15 per cent to £63m.

In pharmaceuticals, which accounts for roughly a third of Beecham's sales but some 70 per cent of trading profits, the company had benefited from strong sales of its Augmentin and Timentin antiobiotics and its Relifiex anti-arthritis drug.

The company gave the following breakdown of sales and trading profit for its different divisions, not counting those business activities disposed of: prescription pharmaceuticals, £401m and £135m (growth of 7 per cent and 13 per cent); over-the-counter medicines, £128m and £38m (4 per cent and 12 per cent); toiletries, drinks and other consumer products, £440m and £67m (4 per cent and 18 per cent) and cosmetics, £220m and £27m (7 per cent and 43 per cent).

Business activities sold, which over the past two years have included areas such as food and drink sales, home improvements and the company's US cosmetics businesses, accounted for £13m in sales for the first half of 1988 and a net trading loss of £300,000.

See Lex

Morland climbs 63% to £6.2m

By Lisa Wood

MORLAND & Co, Oxfordshire-based brewer, yesterday reported a pre-tax profit of £6.2m for the year to September 30 1988, an increase of 63 per cent on the last time.

The results were assisted by property disposals amounting to £2.5m compared with £837,000 last year, when the company decided to take such profits above the line.

Earnings per share were 58.6p (35.3p) and the final dividend of 6.25p contributed to a total dividend of 9.05p.

Operating profits were £3.5m compared with £2.7m last year on turnover which increased to £23m from £18.8m.

Sir Humphrey Prideaux, chairman, said the results included a full 12 months' contribution from Bell Amusements. This company had lived up to expectations, he said, and he looked forward to continuing growth in the division.

The Monopolies Commission inquiry into the tied house system made it even more difficult than usual to make forecasts, but the company was in excellent trading shape and he looked forward to the current year with confidence, he said.

Coloroll disposal

Coloroll has sold Wollimex, a Swiss carpet company acquired in its £207m takeover of the John Crowther textile group earlier this year, to a private Swiss concern for SFr11.5m

Coloroll is also attempting to sell McCall, a paper pattern business in the US. McCall has been up for sale since the summer.

Wollimex makes and distributes needlepunch carpets, chiefly for sale to the motor trade. In the 16 months to December 31 it made pre-tax profits of £690,000 on turnover of £5.8m. The business has been sold to P & P Industrieholding.

Hanover Druce

Hanover Druce, estate agent and property mangement company, raised pre-tax profits by 29 per cent from £902,000 to £1.16m in the six months to August 31. Sales advanced 45 per cent from £7.96m to £11.53m.

The directors are raising the interim dividend to 1.5p (1.35p) on earnings per 10p share up 25 per cent to 10.4p (8.3p). Mr Isidore Redstone, chairman, said the current half-year had started well.

Senior Engineering buys TI offshoot for £9.75m

By Andrew Hill

SENIOR ENGINEERING Group has bought TI Flexible Tubes from TI Group, specialist engineering company, for £9.75m cash.

Senior already owns a metallic flexible hose business – Phoenix Flexible Tubes – and said the TIFT acquisition would enable it to supply metallic flexible hose, expansion joints, rubber and composite hose products worldwide.

TIFT, based in Middlesex, also has subsidiaries in Australasia, Singapore, France, West Germany, the Netherlands and the US.

Turnover at TIFT in 1988 will be about £25m, said Senior, generating pre-tax profits of £1.4m. Net assets stand at £8.8m, excluding the freehold of a site in Enfield, which will be leased.

Senior, which specialises in construction services, engineering products, thermal engineering and heat treatment, is concentrating on the expansion of existing business areas and the elimination of peripheral operations.

Last week, Senior sold Penn Machine, its US mining equipment subsidiary, to Edgecliff Investments of Ohio for a total of $6.5m (£3.58m).

Hestair in £2.3m acquisition

By Vanessa Houlder

Hestair, vehicle engineering, employment agencies and consumer products group, yesterday announced the acquisition of Cindico, a UK nursery product manufacturer.

Price paid was £2.3m in cash and paper.

Cindico, which makes high chairs, bouncers, rockers, cots and baby walkers, is expected to complement the buggy range of Hestair Maclaren.

In the year to August 31, Cindico made pre-tax profits of £100,000 on sales of £7.6m.

Net assets are approximately £1.4m.

Barratt plans European growth

By Andrew Taylor, Construction Correspondent

BARRATT Developments, housebuilder, is moving into traditional housebuilding in Continental Europe, with a series of joint ventures to build appartments and family homes in southern France.

The company already builds time-share holiday homes in Spain but has no other interests within the European Community.

The formation of a new Barratt subsidiary to build homes in southern France was announced by Sir Lawrie Barratt at the company's annual meeting yesterday. Sir Lawrie retires as chairman at the end of this year.

The company's first developments in France will be undertaken jointly with Les Nouvaux Constructeur, Barratt has previously worked with the French developer in California.

The first of the joint ventures will be at Antibes where the developers plan to build around 800 homes about 70 shops and a hotel. Barratt's share of the venture will be about 200 sea front appartments and about half the shops.

The two companies are also planning to build about 350 seaside appartments near Toulon and to provide family homes near Nice.

Sir Lawrie said that the group's management accounts showed a significant increase in profits during the first four months of its financial year compared with the same period last year.

He said there had been some reduction in demand and prices had levelled out for new homes in southern England but the group had benefited from higher prices in other parts of the country.

Davy rises 39% to £8.69m midway

DAVY CORPORATION, engineering and construction group, has reported a 39 per cent rise in interim pre-tax profits from £6.23m to £8.69m. Turnover was ahead at £417.35m, against £378.53m, an increase of 10 per cent.

Earnings per share came out at 6.8p (4.9p) and the interim dividend has been increased to 2.5p (2p). There will be a scrip alternative.

Lord Jellicoe, chairman, said that modifications to a flue gas desulphurisation plant in West Germany had been completed ahead of schedule and recommissioning had started. Problems with the plant dominated the results for 1987-88, when taxable profits were halved to £10.5m after a provision of £17.5m.

A review of the basic design of the desulphurisation process was nearing completion, and a vigorous campaign was planned to win a substantial share of the market, Lord Jellicoe said.

During the six months Davy acquired the construction engineering division of Dravo Corporation in the US and Meta Machines, high technology vision guidance company. The group also disposed of its 49 per cent stake in Senelco, electronic surveillance company, for £7.8m.

Lord Jellicoe said the strong intake of orders referred to at the beginning of the year had continued and orders in hand were substantially ahead of last year.

Tax took £2.17m (£1.56m) and dividends absorbed £2.43m (£1.9m). The cash position remained strong, although at a lower level than at March 31.

● **COMMENT**

In marked contrast to the frosty reception that met last year's announcements, the market was impressed by these results and pushed the share price up 10p to 163p. The grounds for the enthusiasm is Davy's chunky order book: its added value was up by nearly 40 per cent. That gives Davy a secure position for at least a year ahead which should be reinforced by its good prospects thereafter. Davy is well placed to benefit from the boom in capital investment in Germany, the UK and the US, where, in particular, it is poised to get substantial orders to upgrade steel mills. The caveat attached to all this enthusiasm is Davy's paper thin margins. At between one and three per cent, they leave little leeway when things go wrong, as they did spectacularly with the West German desulphurisation plant last year. That said, the shares are on an undemanding price/earnings multiple of 8, assuming an upgraded profits forecast of £27m for the full year.

Paisley lifts Stirling stake

Paisley Hyer, an unquoted clothing manufacturer, has increased its stake in fellow Marks and Spencer supplier Stirling Group by 8.6 per cent to 27 per cent.

Mr Edward Leighton, chairman of both companies, said that Paisley Hyer had no intention of launching a full bid at present.

Mr Leighton was appointed chairman of the Stirling board last week after the purchase of the initial 18.4 per cent holding.

Paisley Hyer now controls 29.9 per cent of Stirling, including a stake held by Murray Johnstone, a shareholder in Paisley Hyer which is deemed to be acting in concert with it.

UK COMPANY NEWS

BAA prepares for further traffic rise after £158m result

By Michael Donne, Aerospace Correspondent

BAA, formerly the British Airports Authority, earned pre-tax profits of £158m in the six months to September 30, up 16 per cent on the £136m in the comparable period last year.

This was due primarily to increased traffic. Passengers handled rose by 5.3 per cent to 38.3m and aircraft movements by 4.1 per cent to 377,000.

But delays to passengers during the height of the summer because of air traffic control problems throughout Europe resulted in increased catering, car parking and other charges, although costs also increased, especially at Gatwick where the new North Terminal was brought into operation this year.

Sir Norman Payne, chairman, reporting these results yesterday, said revenue in the six months increased by 18 per cent from £307m to £363m. Earnings per share rose 18 per cent from 17.6p to 20.8p. The interim dividend is increased by 16 per cent from 3p to 3.5p.

Demand for the company's services was continuing to grow. October traffic results showed that BAA's seven airports (Heathrow, Gatwick, Stansted, Glasgow, Prestwick, Aberdeen and Edinburgh) collectively handled 5.2m passengers, up 8.1 per cent on a year earlier, with aircraft movements up 3.6 per cent to 61,300.

The overall growth in passengers for the first seven months of the financial year was 5.7 per cent.

For the longer term, BAA's forecasts indicated an overall increase in passenger traffic of between 3 and 4.5 per cent a year to the year 2005.

"The forecasts clearly show the underlying long-term strength of the core airport business, and reinforces our confidence in the long-term future of the company," Sir Norman declared.

Plans for the expansion of the business to meet this expected growth were "proceeding well."

The £110m expansion of terminal three at Heathrow would be completed in 1990, and the final details were being cleared of the £190m rail link between Paddington Station in London and Heathrow. A Bill to implement the rail plan would be laid before parliament soon.

The £300m new terminal at Stansted was on schedule to open in 1991 and the £50m expansion of Glasgow had begun.

Sir Norman revealed that earlier plans for BAA to take over part of the US Ramada hotel group's operations had been abandoned because of difficulties over agreeing on marketing and control.

Instead, BAA was expanding development of its own hotels, and had recently announced two big new hotels at Heathrow and Stansted, together with a hotel at Gatwick, collectively costing over £100m.

The results of the Lynton property group, acquired in July for £220m, were "encouraging."

Capital tunes into £9.3m profit

By Fiona Thompson

SHARES IN Capital Radio, the London commercial station, rose by 42p to 486p yesterday when the company announced pre-tax profits of £9.26m for the year to September 30, substantially above analysts' forecasts of £8.5m made at the interim stage.

The advance from £3.94m was made on turnover 36 per cent ahead at £30.45m (£22.34m). Earnings per share more than doubled from 16.3p to 37.2p and a final dividend of 7p is recommended, making a *total for the year of 10p (8p).*

Main reason for the improvement was the strength of advertising demand, said Mr Nigel Walmsley, managing director. "In the second half of the year, especially in the last quarter, the rate of advertising revenue grew very strongly."

Advertising revenue, which accounts for the bulk of turnover, increased at Capital by 30 per cent, compared with the commercial radio sector generally which saw growth of 25 per cent. Advertisers increasingly see radio as a cost effective medium, said Mr Walmsley.

The pre-tax figure was also given a £1.5m boost by the decision of the Independent Broadcasting Authority to reduce to zero the rate of secondary rental, with effect from October 1,1987. Prior to this decision, contractors had to pay a 20 per cent tax on profits.

Capital Radio Investments contributed £416,000 to pre-tax profits. It has holdings in 13 independent radio stations. There were aggregate losses of £352,000 on three new ventures entered into during the year, Independent Radio News, Satellite Media Services and Radio Riviera, but Mr Walmsley believed they held potential for future profits.

● COMMENT

There was egg on the faces of not a few analysts yesterday. They described themselves as "shocked" and "stunned", although in their defence, Nigel Walmsley has always been excessively cautious in his guidance, stressing the extreme volatility of advertising revenue, as indeed he did again yesterday. In addition, it appears the really big jump came in the last two months.

The trend in radio advertising has been very strong in the past two years, and Capital, with its potential audience of 10m high spending London listeners, is the station the advertisers want. However, in spite of Capital's good management and profit margins of 35 per cent, the risk is always there that the rate of growth will slow. Although as yet it shows no such signs, if it does Capital's new AM service playing classic hits of the past 30 years, Capital Gold, will go some way to underpinning any drop. While understandably cautious about forecasting, most analysts are now looking for pre-tax profits of about £11m for this year, which puts the shares on a prospective p/e of 10.5, fair value.

Trevian leaps to £1.35m

TREVIAN Holdings, USM-quoted property developer, trader and consultant, reported a leap in pre-tax profits to £1.35m in the six months to October 5 1988, compared with £93,000 in the comparable period last year and £1.03m for the full year ended April 5 1988.

Turnover grew to £5.14m against £1.6m last time, while the cost of sales increased to £3.5m (£1.3m). The interest charge was reduced to £190,000 (£227,000).

After tax of £520,000 (£35,000) earnings per 10p share were up 7.6p to 8.9p. Directors propose an interim dividend of 1.25p, and anticipate a total payment for the year of at least 3p.

Mr David Dutton, chairman, said the results were very satisfactory and reflected completions of several of the company's projects and the results for the Davis & Coffer estate agency.

Locker falls to £582,000

A SUBSTANTIAL reduction in the profitability of overseas subsidiaries and the associate company have hit the first half results of Thomas Locker (Holdings), screening and filtration engineer, and wire weaver.

However, there was indication of much improved profit for the second half, the directors said.

In the six months ended September 30 1988 turnover rose by £1m to £16.94m, but the pre-tax profit fell from £1.04m to £582,000, with the associate going from a profit of £117,000 to a loss of £2,000.

Earnings dropped to 0.79p (1.47p) and the interim dividend is 0.37p (0.375p).

Orders for the current half were considerably up on last year, and the order book stood at a record, directors said.

In the full 1987-88 year the group made £1.92m pre-tax.

Glynwed to expand with £25m acquisition

By Clay Harris

GLYNWED INTERNATIONAL, the industrial group, is to pay £25m for JB&S Lees, a manufacturer and distributor of specialist cold-rolled steel products. Lees, like Glynwed, is based in the West Midlands.

Lees is being sold by Quoteplan, the private company formed earlier this year to take over Cope Allman International in a deal with ADT, the international services company. ADT holds a 49 per cent stake in Quoteplan.

The disposal completes Quoteplan's exit from engineering. In August, it sold Long & Crawford, a switchgear maker, to the General Electric Company for about £18m.

Mr Richard Grogan, Quoteplan chairman, said yesterday: "We had the intention from the start to sell these businesses for strategic purposes. Both companies have gone to logical buyers where their futures are secure."

Lees, which has assets of £10m, achieved net profits of £3.9m on sales of £21.3m in the year to June 30.

Quoteplan has reorganised its remaining activities into two subsidiaries: specialist packaging in Cope Allman International, accounting for about three quarters of group sales, and amusement machines in Bell Fruit International.

Bulgin more than doubled

Good trading conditions in the electronics industry helped A F Bulgin, Essex-based electronic and electrical component maker, to more than double pre-tax profits, from £211,000 to £442,000, for the six months to July 31.

Turnover rose 22 per cent to £6.62m (£5.44m). There was an exceptional debit last time of £80,000. Directors said that Cirkit Holdings, which was in loss last time, traded profitably, and the power conversion division was profitable for the first time.

There is again no interim dividend as further working capital is needed for development. Earnings per 5p stock unit advanced to 1.02p (0.48p).

John Foster up 85% at midway

A strong order book and improved manufacturing efficiency enabled John Foster to show continued growth in the half year ended September 2 1988.

Improved output of mohair and worsted cloths, particularly for export, led to turnover rising 37 per cent to £16.75m (£12.27m) and pre-tax profits advancing 85 per cent to £1.42m (£766,000). Earnings were up to 9.3p (7.6p) and the interim dividend is raised by 0.25p to 1.75p.

The installation of eight Dor*nier looms, backed up by addi*tonal warping capacity, will assist in meeting continuing demand and achieving a satisfactory second half.

UK COMPANY NEWS

Gold Fields shuns Minorco banks

By Kenneth Gooding in New York

CONSOLIDATED Gold Fields, the UK-based mining and construction materials group, announced yesterday that it intended to sever relations with the Chemical Bank in the US and the Dresdner Bank in West Germany.

Gold Fields said the decision was taken in view of the banks' continuing support for Minorco, the South African-controlled investment company, in its endeavours to acquire Gold Fields.

Fall-out from the decision includes cancelling the contract with Texas Commerce Bank, the subsidiary of Chemical which handles the payroll of Hydro Conduit Corporation. Hydro is part of ARC America Group, construction materials group and itself a subsidiary of Gold Fields. In addition, Gold Fields has an unutilised US $25m loan facility with Dresdner. This will be terminated. Other relationships are under review.

Last week, lawyers acting in the US for Gold Fields, called for Chemical and Dresdner to produce in court documents which, they claim, relate to the hostile £2.9bn bid by Minorco.

The two banks were part of a consortium which would have provided Minorco with about £1bn in cash to complete the offer, which lapsed last month after it was referred to the Monopolies and Mergers Commission.

Gold Fields believes the banks were given extensive information by Minorco about the reasons for the offer and its plans for Gold Fields if the bid had succeeded.

It also believes that there is a special relationship between Dresdner and Mr Harry Oppenheimer, whose key companies, Anglo American Corporation and De Beers, control Minorco.

The documents would be used in the appeals in connection with the preliminary injunction issued by the US Federal Court in New York on October 25 which prevented Minorco proceeding with the bid for Gold Fields.

Gold Fields felt the West German bank might have had documentary evidence to show whether Minorco would be granted as much independence from its parent as it claimed during the bid.

In his decision, the judge said: "The public at large face imminent harm from the takeover's effect in decreasing competition in the world gold market." Between them, the Anglo American group and Gold Fields control about 32 per cent of world gold production.

Harry Oppenheimer – his key companies control Minorco

The judge added that he was taking immediate action to stop the offer until a full hearing of the anti-trust allegations against Minorco could take place, because "once a takeover has occurred it is difficult, if not impossible, for courts to unscramble the eggs".

Gold Fields pointed out that the injunction, if upheld on appeal, would have just as serious an impact on Minorco's plans as the MMC reference. Even if Minorco said it would not bid again, Gold Fields would consider continuing the US action.

It said it wants the courts to stop Minorco using its current 29 per cent shareholding in Gold Fields to influence the UK company's actions. Moreover, it argued, any sale of Gold Fields shares by Minorco should be subject to court approval because the sale might give rise to further anti-trust concerns in the US given the structure of the Anglo American/De Beers group with its many cross-shareholdings.

If the US court decided it had jurisdiction but Minorco defied its ruling, Minorco's substantial assets in the US could be seized by the court.

The business of mining an abusive vein

Kenneth Gooding on one man's opinion of Minorco's lapsed bid

MINORCO's £2.9bn bid for Consolidated Gold Fields may have lapsed, but the hostility between the companies remains almost tangible. And nowhere more so than in the 32nd floor offices of Mr WK "Bill" Brown in the Helmsley Building in New York.

Asked his opinion of Minorco, the colourful chief executive of Gold Fields Mining Corporation, says simply: "They stink."

Moreover, he adds, Minorco's North American subsidiaries, Hudson's Bay Mining and Smelting in Canada and Inspiration Resources in the US, have "an abysmal track record".

As for Minorco's parent group, Anglo American Corporation, Mr Brown has bitter memories of the time he tried to do a mining deal with the South African company.

"Anglo American was impossible to deal with because of the bureaucratic, intellectual arrogance that affects that organisation," he recalls.

Minorco's stated desire to impose "hands-on" management of the assets it controls has Mr Brown shuddering. "I can think of many people whose hands I'd like on me – but not Minorco's." In any event, Mr Brown is fairly certain that if Minorco took over Gold Fields, "they would fire me".

Behind all the hearty abuse, Mr Brown has some serious points to make. He sees Minorco as the kind of big, unwieldy organisation which tends to be unsuccessful at finding new mines.

In contrast, Mr Brown points out that GFMC, a wholly-owned subsidiary of UK-based Gold Fields, has discovered three highly profitable mines in three different geographic and geological environments in the past decade. Consequently this year the company will produce more than 350,000 troy oz of gold at a cash cost of only $125 an ounce, making it one of the lowest cost producers in the world.

Mr Brown says that Minorco probably did not comprehend the extent of anti-apartheid – and hence anti-South African – sentiment in the US before it pounced on Gold Fields.

The exploitation of natural resources is a business which attracts great attention from politicians and environmentalists. GFMC would find it very difficult to operate if the company was controlled by a South African group, Mr Brown insists. It already has enough problems because of Gold Fields' South African investments.

During the bid some GFMC employees had indicated they would "not feel comfortable" if the company fell into South African ownership.

Mr Brown says GFMC has reached the stage where it has the necessary earning power to continue with a high level of exploration expenditure – $22m this year – without financial assistance from the parent Gold Fields group.

In the year to June, GFMC produced a pre-tax profit of £48.4m on sales of £81.1m, up from £26.2m and £51.6m respectively in 1986-87.

Mr Brown says that he would like to see GFMC floated on the New York Stock Exchange. The matter has been discussed on several occasions with Gold Fields in the past 2½ years and trial prospectuses have been written.

The time was not propitious at present, however, not only because of stock market weakness, but because sentiment was running against gold mining companies.

Borrowing costs hit Cambridge Instrument

By Andrew Hill

INTEREST charges cut interim pre-tax profits at Cambridge Instrument, the scientific and optical equipment group, by 17 per cent, but operating profits rose 30 per cent.

Pre-tax profits fell to £2.29m (£2.77m) in the six months to September 30, after borrowings increased to 27 per cent of shareholders' funds, pushing interest charges up to £562,000. This compared with £587,000 of interest earned in the equivalent period on funds raised by the flotation in April 1987.

First-half operating profits rose to £2.85m (£2.2m), on turnover up to £63.7m (£51.5m). Earnings per share fell 13 per cent to 2.14p (2.46p).

Mr Terence Gooding, chairman and chief executive, said substantial restructuring had improved the performance of the factory in Cambridge, although it was still only breaking even because of unused capacity.

The group is to sell or close its industrial products operation and part of its troubled semi-conductor business. Weakness in the semi-conductor market was one of the main reasons why profits in the year to March 31 1988 dropped more than 50 per cent.

Mr Gooding said the money saved by disposal of the semi-conductor business would be reinvested in the electronic optics operation in Cambridge.

The interim dividend is increased to 0.24p (0.22p).

● COMMENT

Despite a concerted polishing campaign, Cambridge's City image is still tarnished and cries out for the lustre of impressive results. The transfer of the Swedish manufacturing business to Heidelberg and Vienna has been successful, but though group sales are high – compared with, say, VG Instruments and Oxford Instruments – margins are tiny. The group believes it will take one or two years to get margins from Buffalo, New York – where Bausch & Lomb is now located – and Cambridge up to the same level. That may eventually be worth waiting for, but in the meantime, progress could be pedestrian and dollar exposure – half of turnover now comes from the US, where demand for ophthalmic equipment is still slack – is a worry. The shares dropped ½p yesterday to 55½p and look pricey on a prospective p/e of more than 11, based on the most pessimistic forecasts of around £5.5m before tax in the full year.

Jessups up and £5m cash call

JESSUPS, Vauxhall-Opel motor dealer, announces a 32 per cent increase in profits and a 19 per cent rise in dividend for the year ended August 31 1988, and plans to raise £5m net by the creation of preference shares.

Ordinary holders will be offered 5.27m convertible redeemable preference 50p shares on the basis of five for every eight ordinary, at £1 each. Proceeds will provide additional working capital and reduce borrowings, and be available to finance acquisitions.

With stable market conditions and all aspects of the group performing well, turnover was lifted from £75.98m to £88.72m and pre-tax profit from £2.04m to £2.7m. Earnings were 20.38p (17.46p) and the final dividend is 4.25p for a 6.25p (5.25p) total.

Better margins were achieved on increased new car sales together with improvements in volumes and profits on used vehicles. Contribution from after-sales activities increased significantly.

The rights issue has been underwritten by CL-Alexanders Laing & Cruikshank. The shares carry a dividend of 7.3p and are convertible between 1991-2002 at the rate of 51.948 ordinary for every 100 shares at an effective price of 192.5p. On redemption in 2004 they carry the right to receive £1. Dealings are expected to start on December 13.

Brewmaker moves into cat litter

Brewmaker yesterday revealed proposals to diversify from its home-brewing and soft drink concentrates businesses through the acquisition of Tyro, an importer and packager of cat litter.

Announcing a further decline in interim profits – down from £28,650 to £3,394 in the six months to July 31 – directors of the USM-quoted group said that despite expectations of seasonally higher second half sales, home-brew earnings for the full year were likely to be unsatisfactory.

Turnover was £2.23m (£2.57m). Tax took £1,188 (£9,168) and resulted in nil earnings per 1p share (0.11p).

The consideration for Tyro comprises an initial £609,424 and a further amount equivalent to twice Tyro's adjusted pre-tax profits for the year to end-September 1988, to a maximum of £1m.

The initial sum is to be mainly satisfied by the issue of 6.08m new Brewmaker shares at 10p, representing 10.8 per cent of the enlarged capital. Shareholders will be invited to participate via an open offer on a 3-for-25 basis.

Teacher Marks

International Business Communications (Holdings), the newsletters and conferences group, has postponed until further notice the planned stock market flotation of its Teacher Marks Deal subsidiary, a commercial estate agent and property consultant.

McCaughan Dyson Capel-Cure, stockbroker to the issue, said it had fallen victim to "adverse market conditions".

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- British Gas, Brown Shipley, Portsmouth & Sunderland Newspapers, UPL.
Finals- British Empire Secs, Govett Atlantic Inv Trust.

FUTURE DATES

Interims-

Alexander (Walter)	Dec. 6
BSS	Dec. 13
Bristol Evening Post	Dec. 9
Business Mortgage Trust	Nov. 24
Castings	Dec. 1
Chloride	Nov. 29
Gateway	Dec. 13
Racal Telecom	Dec. 12
Readicut International	Nov. 29
Wiggins	Nov. 28
Finals-	
Avon Rubber	Dec. 7
Clyde Blowers	Nov. 25
GWR	Nov. 25
Greene King	Dec. 9
Moss Trust	Nov. 25

TECHNOLOGY

A system to cut out inefficiency

Alice Rawsthorn examines the benefits brought by information technology to Courtaulds

Two years ago Stuart Broughton, a subsidiary of Courtaulds Textiles making nightwear in Derby, began an experiment. It notified six of its suppliers that it would be monitoring their deliveries for the next six months.

When the results rolled in, Broughton realised that the suppliers were even less efficient than it had thought. Little more than a tenth of its deliveries had arrived on schedule and only a third had come within five days of the agreed delivery date. The delays not only disrupted production but also increased costs because Broughton's employees were working many hours of expensive over-time.

Today, a third of Broughton's supplies arrive on time and three quarters are delivered within five days of the delivery date. The company has achieved this, not by brow-beating its suppliers into submission, but by the installation of an information technology system.

The Production Planning Control System (PPCS) enables Broughton to use an IBM System 36 minicomputer to monitor the progress of every piece of raw material and every product passing through the factory. It now operates in 14 of Courtaulds' clothing companies and will be introduced to 10 more in the next year or so.

A group like Courtaulds has a clear rationale for investing in IT. Courtaulds Clothing is composed of 40 companies making garments for multiple retailers like Marks and Spencer and BhS. Most of these companies, like Broughton, operate in mature markets with little price elasticity because of intense competition from imports. There is thus constant pressure for them to cut costs by increasing efficiency.

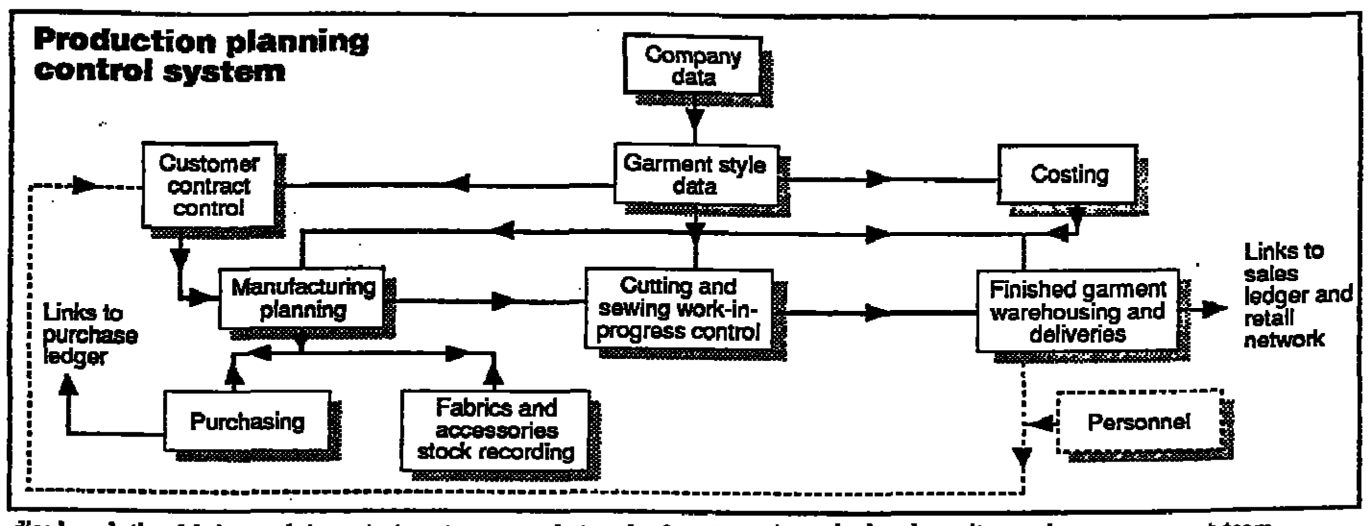
In theory, the simplest solution would be to boost productivity by maximising economies of scale. But this could conflict with the companies' need to respond quickly to changing patterns of demand in the increasingly complex clothing market.

The days when multiple retailers placed huge orders for long production runs of standardised garments are over. Today these retailers need more sophisticated styles in smaller quantities, delivered more rapidly and more frequently.

Advances in automation have armed retailers with more detailed information on sales trends. The multiples can now identify the fastest selling garments and expect suppliers to be able to provide replacement orders on demand. The successful suppliers are those that respond most speedily to the retailers' requirements.

The need to cut costs, combined with the changing nature of its market, means that Courtaulds must ensure that garments flow more quickly and efficiently through its factories. It has already invested heavily in manufacturing technology – such as computerised cutting and automated handling systems – to speed up the production process.

But there is a limit to the extent to which clothing production can be automated. In the textile industry, automation is most advanced in areas like spinning and weaving, where the products are most standardised.



Garments are not standardised and the fabric used in their production is often too malleable to be handled by machine. The level of automation has increased but, for the foreseeable future, clothing will continue to be a labour intensive industry.

"We realised that we needed to get a grip on our operations and that information technology had an important role to play," says Colin Dyer, chief executive of Courtaulds' Contract Outerwear division.

"But the textile industry is a long way behind other areas of manufacturing in terms of its use of information technology. Moreover we were not dealing with a vast oil refinery, but with 30 or 40 factories of different sizes making different types of products."

In 1984 Courtaulds brought in Nolan Norton, a computer consultancy, to map out its IT requirements. Nolan Norton was also briefed to devise a strategy to ensure that each of the 40 clothing companies would be operating a basic business system by 1990.

The first stage in implementing the strategy was to recruit Mike Fisher from GEC as information technology executive. When he arrived at Courtaulds Clothing in 1985, the level of IT was very low. Half the companies were equipped with no more than an Apple personal computer to handle payroll. Only a handful had stock recording systems on PC.

At the time there was no suitable system on the market to meet Courtaulds' needs. So Fisher began to work with an IBM agent to develop one. The specification was that the system should give the factory managers all the information they needed to run their businesses.

It had to keep track of individual orders by identifying the style, colour and size of garment required and monitoring its progress through the production process. It also had to track the flow of raw materials through the factory, checking whether supplies arrived on schedule and whether the quantity and quality matched the original specification.

Once the factory managers were armed with this information, they would be able to plan production more efficiently and act quickly to eradicate bottlenecks. They would be able to gauge how many plastic bags or hangers were needed for each order and what stage each garment had reached.

The first PPCS was installed at Broughton in 1986. It is now being introduced to the other clothing companies in a £1.5m programme. The exercise begins with an education course for senior managers and the appointment of a full-time project manager from the existing management team.

The project manager conducts an audit of the business to scrutinise existing procedures and to identify necessary changes. This information is used to create a plan for the business. The hardware and software is installed and then the managers go through a more detailed training programme. Six months later, the system's performance is reviewed.

One of Courtaulds' initial concerns was that its factory managers – many of whom had no previous experience of data processing – would find it difficult to use an IT system. In practice, says Fisher, this has not been a problem. One of the principal difficulties, however, has been how to adapt the culture of the clothing companies to accommodate the discipline of IT.

Clothing is still an entrepreneurial industry and Courtaulds' commitment to a decentralised management structure has accentuated the autonomy of its subsidiaries. "Not surprisingly some companies found it difficult to adapt to a system which involved running their businesses in a planned manner, rather than by fire fighting," says Fisher.

Nevertheless the PPCS has produced results. Broughton can cite its success in chivvying along recalcitrant suppliers. The system has also played an important part in its attempts to cope with changes in the nightwear market.

Nightwear has become much more fashionable in recent years. Styles change more swiftly and individual garments are more complicated. Since 1985 the number of styles in Broughton's range has quadrupled and the company's sales have risen by 50 per cent. Yet it has managed to reduce the level of "seconds" (substandard merchandise) to 1 per cent and to cut its raw material stocks by 30 per cent.

Courtaulds plans to extend the system to embrace other parts of the business. Eventually the PPCS will form part of an integrated system beginning with a designer creating a style on a Cad (computer-aided design) screen and ending with the garment being delivered to the retailer.

"What we now have is an embryonic system for the exchange of information," says Fisher. "Eventually our customers will want to know exactly when we put fabric on the cutting table so that they can change the size or style of the garment. Soon we will be able to respond."

Why wine growers are beginning to count on the pollen

Forecasting the wine harvest – an annual event surrounded by a certain mystique – is one of the least exact of sciences. It relies principally on the powers of human observation, the size of the grapes and the density of the bunches. The margin of error can be considerable, even just before the harvest ends, and can create havoc with budgeting and marketing plans.

But all that could be history in a few years, if a forecasting method based on the pollen count during the flowering period fulfils its present promise. The technique was devised in France by Professor Pierre Cour, a researcher from the National Scientific Research Centre (CNRS), at the Languedoc Montpellier Science and Technology University in the south of France. The results have nearly always been nearer the final production figures than traditional forecasts, as well as being available earlier in the season.

The margin for error is usually less than 5 per cent, regardless of the size of crop, and is 10 per cent at worst.

On July 1, when the first forecasts are produced, Cour claims his error margin averages 5 per cent, compared with 20 per cent for conventional techniques.

Predictions are complicated by the fact that the wine production data do not always provide a true picture. Distortions have occurred in recent years in the Hérault department, for example, because growers have tried to stabilise output in order to comply with the European Community (EC) rules aimed at drying up the wine lake. In many cases, producers evaporate the surplus rather than store it until a subsequent light crop needs bolstering.

Forecasting is also made more difficult by the replacement of high yield varieties with lower yield, higher quality strains. Since these grapes are smaller, the ratio of harvest to pollen changes and the calculations have to change too, Cour explains.

Matters will be simplified when the vine stock stabilises in 1990, after the Community stops subsidising efforts to reduce output.

The application of Cour's theory to wine was a matter of chance, as he had hay fever sufferers in mind when he started out on his basic research.

He first turned to the grape in the Hérault vineyards of Languedoc-Roussillon in 1973, and was prompted by a simple process of deduction: the more pollen in the vines at the moment of pollination, the more numerous the fertilised blossoms, the fuller the grapes and the more abundant the harvest. The amount of pollen per cubic metre of air reflects the health of the vine at a key point in its growth.

The equipment for Cour's process, developed and patented by the government research agency ANVAR, is uncomplicated and inexpensive. It consists of a weather vane, an anemometer (to measure wind force) and a series of filters in plastic frames. The silicone coated absorbent gauze, in five thicknesses, is changed twice a week. The initial investment comes to about £1,000 and operating costs run at about £500 pounds a season for the filters and laboratory analysis.

Since its introduction in Languedoc, the technique has moved into the champagne district, the Gironde area of the Bordeaux region and Catalonia in Spain. More recently, it has started to make its way into the Medoc, Listel, Montbazillac, Cognac and Cotes-de-Bordeaux areas.

Not that the technique is without its drawbacks. The Champagne Wine Growing Association points out that it makes no distinction between varieties of vine, and does not allow for a breakdown by local area.

Wet weather also remains a potential stumbling block, as hail or torrential rainfall at the end of the growing period can upset both the harvest and the projections. This happened in the Hérault in 1983, when heavy rain in August followed an earlier heatwave. For the hilly terrain of the Champagne district, more stations are needed to achieve the same reliability as in flatter regions like the Gironde.

However, the chances of official recognition are increasing. Cour has been invited to tender for an EC research contract to test the technique on the wine and olive crops in three countries.

The contract will call for 15 pollen installations to operate in France, Spain and Italy between 1989 and 1991. If successful, the technique could be introduced on a Europe-wide scale.

"We would continue to supervise the operation, but would have to set up a company to carry out the work," Cour says. One important test will be how effective the method is on the same crops, but in different climates. According to Cour, it is proving its worth on citrus fruit in Morocco, hazelnuts in Spain, honey in France and palm oil in Colombia. "It worked very well in equatorial conditions."

The new method may take some of the romantic mystique out of the wine harvest, but it will also reduce the element of speculation that pitches growers against traders in a permanent battle to minimise the damage caused by uncertainty.

Barbara Casassus

THE PROPERTY MARKET

Paul Cheeseright, Property Correspondent, examines two different office schemes for the out-of-town market

Green Belt trade-off

Bedfont Lakes is 800 yds away from Terminal Four at Heathrow Airport, so, when it is completed, it will fit into the M4 corridor office market. But what makes the scheme significant is not so much its exact location as the fact that it is on land prised out of the Green Belt, one of the very rare cases where this has been done.

It was fear that British Aerospace might make profits on the redevelopment of land on the Green Belt that contributed to the recent row over its purchase of Royal Ordnance from the Government.

Yet the argument about preservation of the countryside generally, and the Green Belt in particular, is complicated by the fact that both have some very scruffy landscapes – the detritus of old industrial activity or businesses which remained after the designation of *environmentally protected* areas.

Apart from exceptional cases, the Government has ruled the Green Belt out of bounds for development. But Mr Nicholas Ridley, the Environment Secretary, did not intervene in the granting of planning permission by the Borough of Hounslow for Bedfont Lakes.

Technically this was because the scheme had been scrutinised in local public enquiries. Practically, it was because Bedfont Lakes was on land that nobody wanted to do anything about: a total area of 248 acres, mostly scrubland, once used for gravel extraction but filled in *during the early 1970s. In addition,* the land was privately owned and closed to the public. In Green Belt terms, it acted as a lung for the area but had no recreational use.

In 1984 Rutland Group, a private property company, and RMC, the aggregates group, presented a scheme to the local planners which was essentially a trade-off. If some of the land could be used for commercial development, then the rest could be restored to parkland for Hounslow Council.

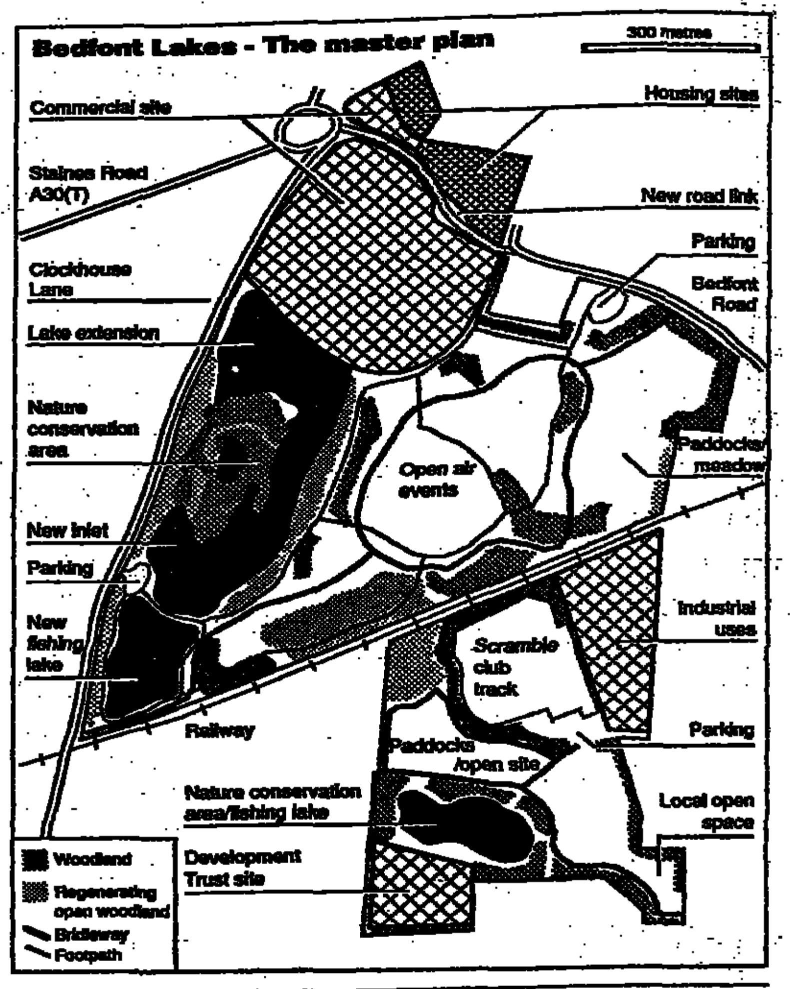
This is what is happening. The old fill is now being replaced by fresh clay so that there will be no *trace of contamination. Eventually* there will be over 1m sq ft of commercial space, including low-rise office buildings, and housing on 56 acres of the site (see map).

The basis of the deal is that everybody wins. The public gain open space. Hounslow obtains more housing and jobs. Rutland and RMC obtain a prime development site to feed a growing market.

Rutland, in fact, is now the sole owner because it bought out RMC last August. Its advantage in the Heathrow area, which is attractive to companies pushed out of central London by much higher accommodation charges or expansion, is that it has unfettered B1 planning consent. That is, the buildings can be used either as offices, the commercially attractive side for Rutland, or for light industrial use, or for both.

But it has been a costly process. Basic infrastructure and four years of the planning process have cost around £20m. It is not the sort of undertaking that a company like Rutland could contemplate if it had to start again tomorrow, simply because land values have escalated.

As it is, Rutland will have to *pre-sell parts of the development,* in order to retain parts of it. There will be no speculative building. So far Rutland has been able to absorb the effect of higher interest rates because its land costs were relatively low.



The Cambridge effect

VISION Park *is of Cambridge* but not in it – three miles north of the city centre in the village of Histon and about a mile from the M11. The A45 is the rough border between the Cambridge City Council and the South Cambridgeshire District Council and Vision Park is in the area of the latter.

The question of planning jurisdiction is important because the District Council has been more relaxed about the nature of the space at Vision Park than the city would have been.

Tartan Developments, part of a Cambridge architectural and property group, brought Merivale Moore the prospect of a deal on a former Chivers jam factory site in June 1986. Their approach to the District Council led to a broadly drawn planning permission for the 11 acres site. When the Use Classes Order was reworked in 1987, the park was given a general business classification.

Merivale Moore thought that the initial tenants at least would be high technology companies: a natural assumption given the growth of such business around the university and the success of the Cambridge Science Park. In fact, 90 per cent of the inquiries for space came from pure office users and the first *two* tenants were Barclays Bank and Anglia Water Authority.

Two things seem to have been happening here. The first is the spread of high technology companies at a time when Cambridge was in any case growing in importance as a regional centre, thus increasing the space demands of service companies. Second, there is very little space in the city itself. Hence office users have been pushed outwards into Vision Park or one of the other half dozen business park developments bringing space on stream in and around Cambridge.

Merivale More seems to have made its move into the market just in time. It paid £3.225m for the 11 acres and now considers that the level of rents suggests land prices of around £1m an acre. Starting off this relatively low base, it is making a running yield on costs of just under 10 per cent.

Rents at Vision Park have been up to £15 per sq ft. But while rents in the London area tend to diminish away from the central area, in Cambridge there is little disparity between the inner and outer districts.

Merivale Moore, having been able to build into a rising market, has now found that changes to the Cambridgeshire Structure Plan are working in its favour. Mr Nicholas Ridley, the Environment Secretary, has made it clear that development should be pushed out along the A45 and is prepared to see part of the Green Belt lopped off to provide for that. Vision Park, then, finds itself close to an area of likely further growth.

This is financial convenient. Merivale Moore's initial plan was to sell on the the units – one 26,500 square feet building in Phase One, four buildings with a total of 55,370 square feet in Phase Two and the yet-to-be-started 80,000 square feet of Phase Three.

But its own growth, from assets of £27m in June 1986 to assets now worth £71m, makes it easier to retain the buildings for investment purposes. Yet the fact that Vision Park is not isolated, but will be able to feed off the growth of the immediate locality, makes retention easier still.

The company has been using straightforward bank finance, part of a general facility taken on the balance sheet, to fund the development, a practice facilitated by the strong cashflow it receives from house uilding.

كاملة / من الأصل

PUBLIC NOTICES

INQUIRY BY THE MONOPOLIES AND MERGERS COMMISSION
Merger of Consolidated Gold Fields PLC with Minorco SA

The Monopolies and Mergers Commission is investigating the Merger of Consolidated Gold Fields PLC with Minorco SA. Any person or organisation wishing to give information or views, particularly on its effects on competition in the markets for minerals and metals such as titanium and zircon, should write as soon as possible to:

The Reference Secretary,
(Minorco - Gold Fields Inquiry)
Monopolies and Mergers Commission
New Court, 48 Carey Street,
LONDON WC2A 2JT

MONOPOLIES AND MERGERS COMMISSION

SOCIETE NATIONALE DES CHEMINS DE FER BELGES
B
NATIONALE MAATSCHAPPIJ DER BELGISCHE SPOORWEGEN

USD 75,000,000 Guaranteed Floating Rate Notes due November 1991
Unconditionally guaranteed by
THE KINGDOM OF BELGIUM

In accordance with the provisions of the Notes, notice is hereby given that for the six months interest period from November 21, 1988 to May 22, 1989, the Notes will carry an interest rate of 9$\frac{3}{16}$ per cent per annum. The interest amount payable on the relevant interest payment date which will be May 22, 1989 is USD 2,353.39 for USD 50,000 in principal amount of Notes.

by Generale Bank
Agent Bank

LEGAL NOTICES

JOHNSTON PRESS PUBLIC LIMITED COMPANY

In a Petition presented to the Court of Session on 15th November 1988 at the instance of Johnston Press Public Limited Company incorporated on 31 December 1928 under the Companies Acts 1908 to 1917 and having its Registered Office at 53 Manor Place, Edinburgh for Confirmation of Reduction of Share Premium Account, the court has now pronounced the following interlocutor:-

Edinburgh 15th November 1988

The Lords having heard Counsel for the Petitioners appoint the Petition to be intimated on the Walls of Court and in the Minute Book in Common form, and to be advertised once in each of the "Edinburgh Gazette" the "Scotsman" "Glasgow Herald" and "Financial Times" newspapers; Allow all parties claiming an interest to lodge Answers thereto within 7 days after such intimation and advertisement.

All of which intimation is hereby given.
MacRoberts Solicitors
27 Melville Street
Edinburgh

EADIE HOLDINGS PUBLIC LIMITED COMPANY

In a Petition presented to the Court of Session on 15th November 1988 at the instance of Eadie Holdings Public Limited Company incorporated on 24 February 1904 under the Companies Acts 1862 and 1900, and having its Registered Office at George House, 50 George Square, Glasgow, for confirmation of reduction of Share Premium Account, the court has now pronounced the following interlocutor:-

Edinburgh 16th November 1988

The Lords having heard Counsel for the Petitioners on their motion dated 15th November 1988 appoint the Petition to be intimated on the Walls of Court and in the Minute Book in common form, and to be advertised once in each of the "Edinburgh Gazette" the "Scotsman", "Glasgow Herald" and "Financial Times" newspapers. Allow all parties claiming an interest to lodge answers thereto, if so advised, within 7 days after such intimation and advertisement.

All of which intimation is hereby given.
MacRoberts Solicitors
27 Melville Street
Edinburgh

No. 006227 of 1988
IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION
IN THE MATTER OF REDLAND PLC
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 24th October 1988 presented to Her Majesty's High Court of Justice for the confirmation of the Reduction of the Capital of the above-named Company from £90,583,480 to £80,000,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Hoffman at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday 28th November 1988.

ANY creditor or stockholder or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said Reduction of Capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned Solicitors on payment of the regulated charge for the same.

DATED this 15th day of November 1988

Slaughter and May, (RLH)
35, Basinghall Street,
London, EC2V 5DB
Tel: 01-600 1200

COMPANY NOTICES

THE PORTUGAL FUND LIMITED
INTERNATIONAL DEPOSITARY RECEIPTS
issued by
MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Evidencing 1000 participating shares of USD 0.01 each

IDR-holders are hereby advised that copies of the Company's Annual Report and Accounts for the period August 28, 1987 to August 31, 1988 will soon be available from the Depositary.

Requests should be sent to the address indicated below to the attention of the Securities Department, Corporate IDR Section

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Brussels Office
35 Avenue des Arts
1040 BRUSSELS
As Depositary

CLUBS

PROPERTY AUCTIONS

The Financial Times proposes to publish this survey on:

20th January 1989

For a full editorial synopsis and advertisement details, please contact:

Tessa Taylor on 01-248 8000 ext 3211

or write to her at:

Bracken House
10 Cannon Street
London
EC4P 4BY

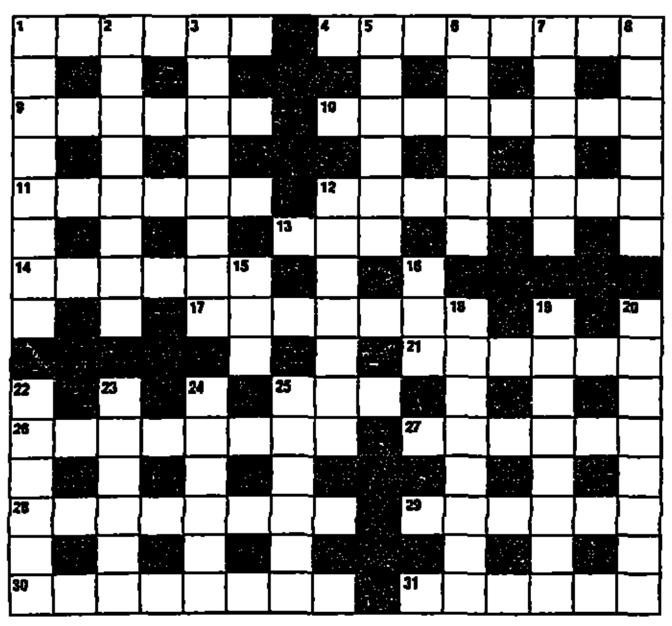
FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CROSSWORD

No. 6,789 Set by GRIFFIN



ACROSS

1 Warning device which smells? (6)
4 Enraptured engineer returns to stable (8)
9 Climbing frame (6)
10 Ring someone? (8)
11 Late going down? (6)
12 Crazy jokes about turning in (8)
13 Settle quietly, always (3)
14 Cruet split over model vessel (6)
17 Wanted O'Connor to ride round (7)
21 Frank arranges credit (6)
25 Hawthorn's mother said why (3)
26 Wild boar not assumed to be tree dwelling (8)
27 For about a pound in coin (6)
28 When still cooking, diet (8)
29 For years Dan worked on programme (6)
30 Changing to late shift, telephone (8)
31 Stopped when cold and relaxed (6)

DOWN

1 BA the footballer? (4-4)
2 Throwing bread out when hard (6)
3 Leave works before Ted's promoted (8)
5 Gay gives fare to youth leader (6)
6 Ditch fish outside back door (6)
7 Instruct engineers to raise counter (6)
8 Embrace scares cook (6)
12 First letter of London? (7)
15 Left supporter blushing (3)
16 Day to get married (3)
18 I involved Olga in proper conversation (8)
19 Which run in races? (8)
20 Normal pay for a back doctor (8)
22 Pictures things before God arrived (6)
23 N. Bates turns away (6)
24 Hole right under old car (6)
25 Enrage people: join in (6)

Solution to Puzzle No.6,788

D	A	M	A	S	K		W	A	R	W	E	A	R	Y
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R	E	A	L		D	I	S	C	I	P	L	I	N	E
T		R		H		S		L		E				N
E	M	I	N	E	N	T		E	X	C	E	L	S	
D		N		A						K		A		A
	D	E	N	V	E	R		S	H	E	R	B	E	T
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GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. *These charges are included in the price when the customer buys units.*
OFFER PRICE
The price at which units may be bought.
BID PRICE
The price at which units may be sold.
CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.
TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.
HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.
FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

Swiss Life Pen Tst Man Co Ltd (1000)H
99-101 London Rd, Sevenoaks 0732 450161

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity Dist	5	324.1	328.7xd	347.8	+0.2	3.20
Equity Acc	5	422.1	427.0xd	451.9	+0.3	3.20
Fixed Int Dist	5	114.1	115.7xd	119.9	-0.2	8.47
Fixed Int Acc	5	210.3	213.3xd	221.0	-0.5	8.47

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	90.21	91.01	96.82	-2.73	2.19
Do Accum	6	96.82	97.68	103.92	-2.92	2.19
TSB Brit Growth	6	53.71	53.71	57.14	-0.08	3.57
Do Accum	6	56.20	56.20	59.79	-0.08	3.57
TSB European	6	51.84	51.84	55.15	-0.07	1.14
Do Accum	6	53.25	53.25	56.65	-0.08	1.14
TSB Extra Income	6	146.00	149.33	158.86	+0.23	5.86
Do Accum	6	188.46	192.76	205.06	+0.30	5.86
TSB Smaller Cos	6	53.57	53.57	56.99	+0.11	1.98
Do Accum	6	54.52	54.52	58.00	+0.11	1.98
TSB General	6	176.21	177.40	188.76	-0.61	3.44
Do Accum	6	305.02	307.20	326.75	-1.06	3.44
TSB Premier Income	5	47.28	47.73xd	49.72	-0.12	8.90
Do Accum	5	72.58	73.28xd	76.33	-0.18	8.90
TSB Income	6	266.02	268.05	285.11	+0.65	4.98
Do Accum	6	444.64	448.03	476.57	+0.89	4.98
TSB Pacific	6	205.70	208.93	222.77	-1.76	0.40
Do Accum	6	213.87	217.23	231.10	-1.81	0.40
TSB International	6	313.83	317.30xd	[illegible]	-2.74	0.88
Do Accum	6	396.55	401.58xd	427.21	-1.46	0.88
TSB Nat Resources	6	57.16	58.36xd	62.08	-1.68	1.42
Do Accum	6	60.59	61.86xd	65.81	-1.70	1.42
TSB Spcl Opps	6	79.26	79.26	84.32	+0.34	2.69
Do Accum	6	90.50	90.50	96.28	+0.40	2.69

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0840

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	58.10	58.10	62.12	-0.57	0.96
Australia	5	7.261	7.261	7.754	-0.10	0.10
Commodity	5	74.70	74.70xd	80.38	+0.57	0.42
Convertible	5	141.4	141.4xd	153.4	-0.3	4.99
Equity	5	153.5	153.5	165.5	+0.6	3.16
Euro Spec.Sits	5	81.79	81.79	88.02	-0.16	1.55

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 01-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Property Oct 31		271.95	—	5.79
Equity Oct 31		714.70	—	3.98
Fxd Int Sec Oct 31		100.70	—	9.98

* Available only to Local Authorities

MIM Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens (Acc)	54.9	58.51	—	0.80

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Nov 16	36.8	38.2	+0.0	2.48
Euro Expt Nov 16	41.7	43.7	+0.0	2.59
Fixed Int Ex Nov 16	49.5	52.9	+0.0	9.74
Japan Expt Nov 16	55.6	57.8xd	+0.0	0.84
Managed Ex Nov 17	38.4	39.9xd	+0.0	4.81
SE Asia Expt Nov 16	33.9	35.5	+0.0	2.15
Sm Cos Expt Nov 16	43.3	45.4xd	+0.0	2.9
UK Eqty Ex Nov 16	35.2	36.9	+0.0	4.5

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Gross
NC Property	193.5	209.3	—	—

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
PDFM Small Co Fd 1/11	815.0	861.0	—	3.85
Do Accum	842.0	889.0	—	3.85
PDFM Int Expt Nov 17	119.5	121.2xd	-4	2.40

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	93.66	94.73xd	—	2.92

INSURANCES

AA Friendly Society
(Investment Mngt. M & G Inv Mngt Ltd)

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd

PO Box 124 Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	53.9	56 7	-0 1	-
Stock Market Mngd Fund	51.3	54.0	-0.2	-
Equity Fund	55 6	58.5	+0.2	-
International Fund	47 6	50.1	-0.6	-
European Fund	49 6	52.2	-0.2	-
North American Fund	41 1	43.2	-1.4	-
Pacific Fund	59.7	62 8	-0.2	-
Property Fund	67.5	71 0	-	-
Fixed Interest Fund	52 3	55.1	-0 1	-
Index linked Sec Fund	53 4	56 2	-0 4	-
Deposit Fund	54 8	57.7	-	-
NUAM Retirement Plans				
Mixed Fund	57 7	60.7	-0 1	-
UK Ordinary Share Fd	64 7	68 1	-	-
International Fund	49.2	51.8	-0.3	-
Property Fund	65 7	69 2	+0.1	-
Fixed Interest Fund	57 0	60.0	-	-
Index Linked Sec Fund	55 1	58.0	-	-
Deposit Fund	59.1	62.2	+0.1	-
NUAM (MF)				
Managed Fund	751 8	791.4	-1.0	-
Equity Fund	1501 6	1580 7	+5.9	-
Property Fund	424 8	447.2	+0 1	-
Fixed Interest Fund	390 1	410 7	-1.3	-
Deposit Fund	224 4	236.3	-	-
International Fund	125 2	131.8	-1.4	-
Index Linked Sec. Fund	54 1	57.0	-0.4	-

Norwich Union Life Insurance Soc.

PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Pensions				
With Profits Fd.	108 11	113.80	+0.05	-
Managed Fd	116 52	122 65	-0.14	-
UK Equity Fd	119 75	126 05	+0 06	-
International Fd.	116 94	123 10	-0 63	-
European Fd	113 42	119 39	-0.08	-
North American Fd	108 35	114 05	+0 23	-
Pacific Fd	115 58	121 66	-0 51	-
Property Fd	119 50	125 79	+0.08	-
Fixed Int Fd	100 88	106 19	-0.12	-
Intl Bond Fd	104 11	109 59	-0.71	-
Bldg Soc Dep Fd	103 13	108.56	+0.04	-
Pensioneer & Unit-Linked Plan				
Fixed Interest Fund	284 5	299 5	-1.4	-
Index-Linked Sec Fund	155.5	163.7	-1.8	-
Ordinary Share Fund	468 4	493 0	-12 3	-
International Fund	126 1	132 7	-1.1	-
Property Fund	202.7	213.4	+0.3	-

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
European Initial	72.4		+0.2	-
Residential Prop Init	115.9		-0.2	-
Swiss Equities Initial	33.0		+0.3	-
Hong Kong Initial	41 0		-0 4	-
UK High Inc Eq Init	60.6		-0.3	-
Int Fixed Interest Init	49.8		+0.1	-
Int Managed Init	46.8		+0.1	-
HIP Managed Init	101.4		+0.5	-
Broker Fund				
Towerbill Mngd Fd Acc.	46.3	48.8	+0.2	-
High Performance	60 9	64 2	----	-
YRA Executive Fd	76.5	80.6	-0 4	-
Investment Master	36.2		-0.4	-
H F Speculator Fd	112.1		-0 1	-
£ High Inc Money Fd	103 2		----	-
£ Global Growth Fd	103.2		----	-
PEP Acorn II	101.5		+0 1	-
AAFS Int. Man Fund	99.2		+0.3	-
Individual Pension Funds				
UK Equity Acc.	204.7	216 0	-0.3	-
UK Fixed Interest Acc.	163.6	172.6	+0.1	-
Intl Equities Acc	162 4	171 4	+0 9	-
UK Managed Acc.	150 4	158 6	+0.5	-
Property Acc.	188 4	198 8	+0.3	-
Money Acc.	115 4	121.8	+0.1	-
Special Market Acc.	125.5	132.4	-1 9	-
Japan Equity Acc	223.7	236.0	-1.2	-
North American Acc.	97 65	103 0	-3 9	-
Pacific Acc.	130 7	137.9	+6.5	-
Technology Acc.	127 5	134.5	-1.3	-
Natural Resources Acc.	86 2	91 0	-0.2	-
European Acc.	87 9	92.8	+0.2	-
Residential Prop Acc.	122.8	129 6	-0.3	-
Swiss Equities Acc	32.9	34 8	+0 4	-
Hong Kong Acc.	40.5	42.8	-0.3	-
UK High Inc Equ Acc.	64.8	68 4	-0.4	-
Int Fixed Interest Acc.	50.5	53.3	----	-
Int Managed Acc.	46.8	49.3	+0.2	-
Broker Fund				
Towerbill Mngd Pen Acc.	38.9	41.0	+0.2	-
Group Pension Funds				
Equity Acc.	609 9	628 8	+2.1	-
Fixed Interest Acc.	456 0	470.2	----	-
Managed Acc.	102.8	104 8	+0.1	-

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Unit Fund	903.9	949.1	+1.6	-
Equity Fund	201.1	211.2	+0.7	-
International Fd.	131.1	137.7	----	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

IoM AUTHORISED

OFFSHORE INSURANCES

كناں ابو الحسن

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102	99	Treas 11½pc 1989	99		11.53	11.85
101	98	Treas 9½pc Cnv 1989	99		9.58	11.65
97	95	Treas 3pc 1989	97		3.09	9.39
102	99	Treas 10½pc 1989	99		10.57	11.78
102	98	Exch. 10pc 1989	98		10.12	11.81
103	99	Exch 11pc 1989	99		11.06	11.59
97	94	Treas 5pc 1986–89	95		5.22	9.98
104	98	Exch 10¼pc Cv '89	99		10.31	10.83
107½	101	Treas 13pc 1990	101		12.75	11.03
104	99	Exch 11pc 1990	99		11.00	10.93
107	101	Exch. 12½pc 1990	101		12.28	11.04
93	90	Treas. 3pc 1990	91		3.28	9.29
99	95	Treas 8¼pc 1987–90	96		8.56	10.84
102	95	Treas. 8pc Cv 1990	97		8.19	9.55
103	98	Treas. 10pc Cv 1990	98		10.14	10.82
91	87	Exch 2½pc 1990	88		2.82	8.83
107	101	Treas 11¾pc 1991	101		11.56	10.81
95	90	Funding 5¾pc '87–91	90		6.32	10.13
90	86	Treas. 3pc 1991	87		3.42	8.65
105	98	Treas 10pc Cv '91	99		10.08	10.32
107	100	Exch. 11pc 1991	101		10.89	10.58
98	92	Treas. 8pc 1991	93		8.57	10.60
113	105	Treas 12¾pc 1992	106		8.572	10.60
104	98	Treas 10pc 1992	98		12.03	10.45
98	92	Treas. 8pc 1992	93		8.59	10.42
106	99½	Treas 10½pc Cv 1992	100		10.11	10.39
86	82	Treas. 3pc 1992	83		3.58	8.57
112	104	Exch. 12¼pc '92	105		8.592	10.42
117	108	Exch 13½pc 1992	109		12.33	10.43
97	91	Treas 8¼pc 1993	92		8.88	10.33
105	97	Treas 10pc 1993	99		10.08	10.22
115	107	Treas 12½pc 1993	107		11.57	10.27
93	87	Funding 6pc 1993	87		6.86	9.28

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

G7 help boosts dollar

CO-ORDINATED CENTRAL bank intervention pushed the dollar sharply firmer in currency markets yesterday, although it retained its bearish undertone and finished below the best level of the day, despite later help from the US Federal Reserve Board.

Early trading was very subdued, as traders waited for some reaction to the dollar's fall to a ten-month low against the yen in Tokyo. Traders were content to hold square positions, on fears that central banks would intervene. The cautious tone proved to be justified, as G7 central banks lent support.

However, intervention in itself is not seen as a cure for the underlying factors depressing the dollar, and merely buys time. Short-term investors were quick to adjust their positions in tune with the dollar's trend, but there is little to suggest that the longer term bearish view on the dollar does not remain true.

Early trading saw the dollar confined to a narrow range, with sentiment influenced not only by the prospect of G7 intervention , but also by the gentle rise in US interest rates and the growing possibility of a rise in the US discount rate. Sentiment had been influenced by dollar purchases estimated at $300m by the Bank of Japan in Tokyo, although this failed to halt the dollar's fall.

Intervention by the West German Bundesbank is regarded as the key element in turning the dollar round. However, although the dollar has touched its lowest level since late last year against the yen, it is still up by nine per cent against the D-Mark over the same period, which makes the Bundesbank's position that much more difficult.

The dollar closed at DM1.7285 from DM1.7230 and Y122.60 compared Y122.50. Elsewhere it finished at SFr1.4495 from SFr1.4455 and FFr5.9075 compared with FFr5.8925. On Bank of England figures, the dollar's exchange rate index rose to 93.7 from 93.4.

Sterling finished below its best level after late dollar strength, but still closed up from Wednesday's close. Its exchange rate index finished at 77.2, down from 77.3 at the opening, but up from 77.1 on Wednesday. Against the dollar, it was unchanged at $1.8215, but rose against the D-Mark to DM3.1500 from DM3.1400 and SFr2.6400 against SFr2.6325. It was was also higher against the French franc at FFr10.7600 from FFr10.7325, but was unchanged against the yen at Y223.25.

The Japanese yen managed to make limited headway against the D-Mark, despite further yen sales against the dollar by the Bank of Japan. Dealers suggested that the yen retains a bullish undertone against the D-Mark, and that the previous distortion caused by the Bundesbank's absence from the market is now resolved. The D-Mark opened yesterday at Y70.98 - having briefly broken through resistance at Y71.00 on Wednesday - and slipped to Y70.91 during the morning, before finishing at Y70.93.

A further rise by the Australian dollar prompted the Reserve Bank of Australia to intervene in London.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.17	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4104	+2.24	+0.79	±1.5344
Danish Krone	7.85212	8.00755	+1.96	+0.51	±1.5404
German D-Mark	2.05853	2.07109	+0.61	-0.84	±1.0981
French Franc	6.90403	7.07864	+2.53	+1.08	±1.3674
Dutch Guilder	2.31943	2.33596	+0.71	-0.74	±1.5012
Irish Punt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov.17	Latest	Previous Close
£ Spot	1.8325-1.8330	1.8320-1.8330
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.17	Previous
8.30 am	77.3	77.1
9.00 am	77.3	77.1
10.00 am	77.3	77.1
11.00 am	77.3	77.1
Noon	77.3	77.0
1.00 pm	77.3	77.1
2.00 pm	77.3	77.1
3.00 pm	77.2	77.0
4.00 pm	77.2	77.1

CURRENCY RATES

[illegible]

*All SDR rates are for Nov.16

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

FINANCIAL FUTURES

Slightly better tone

SHORT STERLING futures ended the day on a slightly firmer note in yesterday's Liffe market, as co-ordinated central bank intervention supported the dollar and eased upward pressure on interest rates, both in the US and UK.

Three-month sterling deposits for March delivery opened at 87.82, down from 87.85 on Wednesday, but rose to finish at the day's high of 87.89.

Long gilt futures finished little changed on the day, as investors took a longer term view on interest rates and the UK economy. While recent economic data has pointed towards continued strong economic growth and the possibility of higher interest rates, reaction in gilts has been affected to some extent by the lack of any fresh issues of stock. In effect, gilts are potentially in danger of becoming attractive for their scarcity value. The December long gilt price opened at 95-23 and closed at 95-25, compared with 95-24 on Wednesday.

US Treasury bonds spent a rather depressing morning, as the dollar showed little sign of recovery. However central bank intervention in the afternoon lifted prices from the morning's lows to finish little changed on the day.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 36,995

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

[illegible]

MONEY MARKETS

UK rates higher

INTEREST RATES in London continued to rise yesterday, despite a stronger dollar, which reduced the possibility of higher US interest rates. The latest UK economic data, while broadly in line with expectations, did little to counteract an underlying feeling that the strength of the UK economy and concern about rising inflation, are likely to keep interest rates at current levels - or higher - for the time being.

The key three-month interbank rate was quoted at 12¼-12⅛ p.c. unchanged from Wednesday, while the one-year rate rose to 12¾-12⅝ p.c. from 12¼-12⅛ p.c.

UK clearing bank base lending rate 12 per cent from August 25 & 26

The Bank of England forecast a shortage of around £650m and factors affecting the market included repayment of late assistance and a take up of Treasury bills, together with bills maturing in official hands draining £740m. Banks brought forward balances £15m below target, and there was a rise in the note circulation of £60m. These were partly offset by Exchequer transactions which added £150m to the system.

The Bank gave assistance in the morning of £175m through outright purchases of eligible bank bills in band 4 at 11⅞ p.c.

In the afternoon, it bought £94m of bills on a revised shortage of £600m, and gave late assistance of £320m, making a total of £589m.

The Bank of France left its money market intervention rate unchanged at 7.25 p.c. at yesterday's sale and repurchase tender. Recent pressure on the French franc from a stronger D-Mark had led to suggestions that the French authorities would increase the rate. Yesterday's tender resulted in allocations of FFr38.8bn, coinciding with a maturing facility, which drains FFr53.5bn.

Short-term rates in Frankfurt continued to decline as commercial banks enjoy comfortable liquidity levels. This is despite a net drain of DM4.8bn on Wednesday, after the Bundesbank allocated only DM6.9bn to replace a maturing sale and repurchase facility of DM11.7bn. Longer term rates were little changed after the Bundesbank left key lending rates and credit policies unchanged at its central council meeting. The next meeting is scheduled for December 1.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.17) 3 months US dollars / 6 months US Dollars

[illegible]

MONEY RATES

NEW YORK — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

LONDON STOCK EXCHANGE

Dollar support helps equity sectors

CONFIDENCE IN the UK equity market was encouraged yesterday by the determined move by Central Banks to put a floor under the US dollar. Share prices quickly brushed off Wall Street's heavy overnight fall and moved ahead to turn in the best performance for a week. The final hour of trading saw a renewal of takeover enthusiasm, with Lonrho heading a list of revived bid favourites.

The market took a favourable view of the latest economic data on UK unemployment, average earnings and unit wage costs. The figures announced yesterday suggested that UK growth is "slowing down and becoming more sustainable", according to Mr John Whitehead at Robert Fleming Securities.

Also fuelling the market recovery towards the FT-SE 1,850 mark which is regarded as the top of the present trading range was a further batch of good interim reports from major corporations, notably British Telecommunications, Beecham and Burton.

There was some surprise when the London market opened a mere five points off, despite the alarm bells ringing on Wall Street overnight following warnings on the twin US deficits from Dr Alan Greenspan, chairman of the Federal Reserve.

However, it was soon clear that UK equities were scenting the substantial intervention by global authorities to support the dollar and shares moved ahead as the US currency rallied. Turnover was modest at first and the market appeared to be settling below its best levels when an outburst of takeover speculation sent prices moving ahead. The day again featured heavy turnover in the electronics sector in the wake of the GEC/Siemens move against Plessey.

At the close, the FT-SE Index was a net 16.3 higher at 1823.6, virtually the day's best. Seaq volume of 496.2m shares compared with 549m on Wednesday, when volume was boosted by the Plessey bid.

Takeover speculation found renewed support yesterday towards the end of the trading session. Lonrho rose back above the 400p level after the return of bid talk. The decision by Nestlé, the Swiss chocolate concern which acquired Rowntree of the UK in a hard-fought bid battle earlier this year, to allow foreigners to buy its registered shares and to seek a capital increase in the near future, brought speculative gains in UK food stocks as investors searched for a likely target for Nestlé's attentions. However, some UK analysts believe that Nestlé has its sights set high – perhaps even on RJR Nabisco, now that Forstmann Little, the US buy-out specialist, has backed off.

Oil shares came in for late buying support as London awaited news from the meeting in Vienna of the Opec pricing and strategy committee.

Account Dealing Dates

*First Dealings:	Oct 31	Nov 14	Nov 28
Option Declarations:	Nov 10	Nov 24	Dec 8
Last Dealings:	Nov 11	Nov 25	Dec 9
Account Day:	Nov 21	Dec 5	Dec 19

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Nov. 17	Nov. 16	Nov. 15	Nov. 14	Nov. 11	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.84	88.08	88.12	88.37	88.33	90.89	91.43 (18/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.11	96.96	97.26	97.28	97.20	95.28	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1487.5	1477.1	1460.9	1452.5	1461.2	1269.9	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	178.3	177.9	178.0	178.8	178.2	286.9	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Div. Yield	4.78	4.80	4.83	4.88	4.79	4.80
Earning Yld % (full)	12.00	12.06	12.14	12.10	12.04	11.86
P/E Ratio (Net) (*)	10.09	10.03	9.97	9.93	10.06	10.30
SEAQ Bargains (5pm)	24,003	23,180	21,107	27,381	31,891	22,180
Equity Turnover (£m)†	-	1058.65	772.68	1218.20	1486.99	888.29
Equity Bargains†	-	23,112	22,777	29,203	32,969	25,130
Shares Traded (ml)†	-	429.8	254.5	487.5	632.4	437.9

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1472.2	1477.4	1483.3	1483.5	1484.5	1484.1	1487.5	1487.5

DAY'S HIGH 1488.7 DAY'S LOW 1472.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 10.00 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Nov. 16	Nov. 15
Gilt Edged Bargains	94.8	105.7
Equity Bargains	149.8	147.8
Equity Value	2160.4	1561.8
5-Day average		
Gilt Edged Bargains	100.3	103.1
Equity Bargains	173.5	175.9
Equity Value	2317.3	2344.1

● London Report and latest Share Index: Tel. 0898 123001

Royal provision shock

The UK's biggest composite insurance group, Royal Insurance, provided the market with one of the day's biggest shocks by revealing a $200m (£112m) provision against outstanding claims in the US, along with its third quarter results. "The news came out of the blue and caused some hard selling," commented one dealer.

Royal shares immediately slumped and triggered a general slide in other composites, although most of the latter rallied quickly from their lowest levels. Down to 362p immediately following the results Royal subsequently picked up to close a net 11 down at 369p; turnover totalled a much-bigger than usual 4.4m.

The provision for US claims severely dented Royal's nine-months pre-tax profits which slumped to £140m compared with £259m. Before the extraordinary item the profit figure came out at £262.4m.

Analysts were dismayed by this latest blow at Royal, which comes hard on the heels of the move by California's electorate to vote for the Ralph Nader-instigated Proposition 103, which calls for a 20 per cent cut in insurance premiums in the state. "The only prop for the shares is the yield," said one analyst.

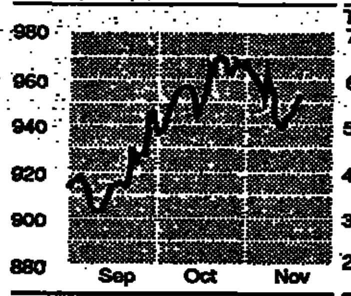
Beecham bulls

Beecham reported interim results which were at the top of the range of forecasts. Following an analysts' meeting sentiment became bullish and the shares responded with a gain of 10 to 465p in turnover of 5m. Pre-results speculation of a rights issue or major acquisition came to nothing.

Dr Arnab Banerji of Nomura Research commented: "What was pleasing about the results was that there was organic growth from all divisions." He rates the stock a strong buy and thinks the company deserves a high rating. "Next year should see continuing margin improvements and gradually smaller tax charges. The only negative point is that Beecham needs to improve its marketing in some key markets, notably Japan, and there is some question as to how they will do this."

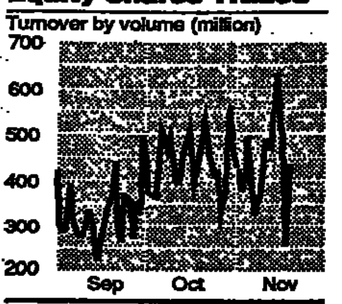
Other analysts generally agreed with this judgement. Hoare Govett has slightly raised its full-year forecast by £5m to £480m and continues to rate the stock a buy. The major dissenting voice came from the team at Citicorp Scrimgeour Vickers where Mr Paul Woodhouse said: "While the figures are good, we remain cautious and continue to have doubts about the R&D programme." He suggested switching out of the shares into Glaxo or Fisons.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Boots quandary

Boots was one of top three turnover stocks, but business was mostly of a intra-market nature. Some genuine investment was noted but, contrary to market hopes, little evidence emerged of a stakebuilding exercise. Nonetheless, many investors seemed happy to be speculating on stakebuilding and on a host of other possibilities, including an impending property valuation, a division of the group's retail and industrial businesses, or a takeover bid by either Unilever or Hanson.

There is little doubt that one particular buyer has purchased large numbers of shares recently. This has resulted in a stock shortage and persistent small buying yesterday forced marketmakers to square their book positions. The shares thus moved higher quickly to close 7 up at 232½p, after turnover of 7.8m.

Analysts are looking for interim profits of around £110m and £115m, compared with £104.7m, when Boots reports next Thursday. Most expect a relatively strong performance by the retail side, but stress that adverse currency influences could affect the industrial division.

New Lonrho play

The Lonrho casino began play in earnest late yesterday. Shortly after 3.30 pm speculation became rife that the much-mooted offer from Bond Corporation was imminent. Traders held their breath, watching the screens anxiously for an announcement, and the shares zoomed to 412p. None came, the price wobbled for a few minutes and then moved back up to end a net 27 higher at 408p, after volume of 14m shares.

Late in the evening a trader said: "A market raid will come first, possibly this morning, and then the bid. Mr Alan Bond, head of the Australian group, will probably pitch his offer low just to see the response from the Lonrho camp." Market ideas on the terms ranged from 430p to 480p. Prior to the late burst of activity, Lonrho shares had fluctuated narrowly.

Mr Paul Spicer, a Lonrho director, said he was aware of the rumours and joked that he and the rest of the board would be in very early this morning, "with bayonets fixed."

The telecommunications and electronics sectors attracted another day of major activity, stimulated by the GEC/Siemens/Plessey takeover situation, talk of further bids in the defence grouping, a bid approach for George Scholes and good results from British Telecom.

It was the Plessey bid which captured the limelight again. Miles Saltiel at Hoare Govett said the move against Plessey "marks a full stop to the long bear market in electronics." Plessey attracted selling pressure after the interim figures – "disappointing" according to one analyst – which showed pre-tax profits of £75m, at the bottom end of estimates; at the close Plessey were 2½ easier at 221½p on turnover of 16m.

GEC settled unchanged at 178p after turnover of 8.5m, but the accolade for the day's biggest turnover went to Ferranti where some 22m traded as the shares edged up 2½ to 103¼p. *The past two sessions has seen* 50m shares, around 8 per cent of the company's capital, change hands.

British Telecom's second quarter results (pre-tax profits of £629m compared with most estimates of around £615m) were ahead of expectations and analysts were apparently impressed by the post-results meeting with the management. Demand for Telecom was strong and persistent – "the safest bet in the sector" said one dealer – and lifted the shares 7 to 254p after turnover of more than 7m.

George Scholes leapt to 285p prior to closing a net 55 higher at 275p after announcing it had received a bid approach. Dealers immediately focused attention on *Delta*, which made an unsuccessful attempt on Scholes over a year ago, but there were also hints that another group – Emess Lighting was mentioned – could be interested. Software house Logica, also regarded as a bid target, moved up 5 to 389p. But Unitech were marked down 9 to 212p after the move to acquire US group Veeco for $327m.

Hanson caught the eye, rising 3 to 149½p in good turnover of 11m shares. Dealers reported the presence of a very large buyer and the resurgence of talk that Hanson might bid for Boots.

The brewery sector was dull but firm, with leading issues generally making little progress. Nevertheless, dealers reported little selling pressure. Grand Metropolitan was the exception, rising 11 to 458p in turnover of 5.1m amid renewed talk that Pillsbury might be considering a so-called Pacman defence, launching a reverse bid for Grand Met despite the fact that the UK group now has acceptances for well over two-thirds of Pillsbury shares. There was a feeling in the market that no-one wanted to be short of Grand Met shares.

Irish Distillers crashed 39 to 385p after the ruling in favour of Pernod's bid, while there was some switching out of Whitbread, down 2½ to 292p following Wednesday's disappointing results.

Burton year-end figures were much in line with expectations, but the shares fell steadily to close down 7 at 190p with some 8.2m changing hands. Analysts had two worries about the figures: a hidden interest charge and a 53rd week which added more than £1¼m to the accounts. Several downgraded their forecasts for the current year from £235m to £225m.

Davy Corp rose 10 to 163p helped by a 40 per cent rise in interim profits. Hoare Govett, which has been a big buyer of the stock for the past year, has increased its forecast for Davy's full year profits by £1m to £27m.

Vickers gained 7 to 188p on the interest in defence stocks aroused by the bid for Plessey and suggestions that Sir Ron Brierley and Mr John Spalvins were building stakes in the company.

600 Group, which trebled its interim profits to £4.3m, rose 5½ to 119p, while Locker (T) saw its "A" shares drop 2 to 29p with half-time profits down 37 per cent.

Takeover issues in the Food sector had a perky day, running ahead strongly late in the session as news of the Nestlé decision filtered throught to London. Amid persistent talk that a major bid might be launched soon, old favourites United Biscuits and Unigate rose 8 to 297p and 298p respec*tively, although dealers said* both looked distinctly squeezy.

Blue Arrow consolidated the ground gained during the previous session as speculation continued over the group's current market valuation. This is considerably lower than any direct US or European competitor and is said to be attracting predatory attention. Of special interest is the US Manpower subsidiary where a management buy-out or sale has been suggested recently. After high volume of 0.0m, the shares settled firmer at 94½p.

Mid-term results slightly better than market forecasts nudged BAA higher to 283½p.

Capital Radio reported excellent figures and its shares ran 42p ahead to 486p in a huge squeeze. Analysts were extremely bullish following the *post-results meeting. Mount* Charlotte rose again, up 6 to 165p in what has become a market with not enough stock to go around.

William Collins rejected the bid from News International and its shares spurted well above the offer price. The Ordinary shares rose 142p to 685p, while the "A" shares were 116p better at 569p. Analysts said News International would have to raise its offer to have any chance of success.

Bid speculation pushed Mountleigh and Arlington up 4 to 182p and 180p, respectively. JD Wood, the residential and agricultural estate agent, fell 18 to 105p as directors said half-year profits would be more than 50 per cent lower and issued a warning on figures for the full year.

A *flurry of speculative* buying interest produced some outstanding performances in an oil market which shrugged off the poor showing of crude oil prices. Brent for December delivery closed around 35 cents down at $12.30 a barrel as the first of the series of OPEC meetings got underway in Vienna.

Ultramar, where Sir Ron Brierley has a near 14 per cent holding and Premier Consolidated, a stake of some 2 per cent, raced higher to close 13 up at 248p ahead of a presentation to oil industry analysts and following "buy" recommendations from several brokers. Premier jumped to 56p before closing 3 up at 54½p.

Aran Energy, regarded by analysts as one of the best of the smaller oil groups, surged *ahead and closed* 7½ up at 58½p.

Activity in Traded options reached the high level of 59,270 contracts, comprising 45,235 calls and 14,035 puts. Plessey domimated dealings, as newly introduced exercise prices came into play, on the back of the GEC-Siemens bid. The February 220 calls showed the opening of interest of 2,020 calls and the February 240s that of 917. The effect on the electronics sector of the bid for Plessey was reflected in trading in other stocks in the sector, such as Racal.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,700	144	+1
Abbey Life	343	269½	-½
Allied-Lyons	1,400	460	-1
Amstrad	862	184	
Argyll Group	649	162	+1
Ass. Brit. Foods	72	318	
BAA	7,675	283½	+1½
BAT	1,740	444	+6
BET	744	229	+1
BICC	705	380	+3
BOC	990	415	+1
BPB Inds.	713	263	+4
BTR	2,400	291	+2
Barclays	892	415	+3
Bass	125	803	+5
Beazer	596	179½	+2
Beecham	4,675	465	+10
Blue Arrow	7,300	94½	+½
Blue Circle	946	440	+2
Boots	7,700	232½	+7
British Airways	2,700	162	+1
Brit. Aerospace	1,100	476	+1
Brit. & Comm.	501	231	-2
British Gas	3,600	163½	+1
British Land	693	364	+5
BP	2,300	247½	+2½
British Telecom	7,200	254	+7
Burmah Oil	551	521½	+6½
Burton	8,200	190	-7
Cable & Wireless	1,900	369	+1
Cadbury Schweppes	1,800	359	+4½
Coats Viyella	2,100	171½	

Stock	Volume 000's	Closing Price	Day's change
Commercial Union	868	[illegible]	[illegible]
Cons. Gold Fields	150	[illegible]	[illegible]
Cookson	563	[illegible]	[illegible]
Courtaulds	1,000	[illegible]	[illegible]
Dalgety	1,530	[illegible]	[illegible]
Dixons	536	[illegible]	[illegible]
Eng. China Clays	703	[illegible]	[illegible]
Enterprise Oil	954	[illegible]	[illegible]
FKI Babcock	1,800	[illegible]	[illegible]
Fisons	2,800	[illegible]	[illegible]
Gateway Corp.	661	[illegible]	[illegible]
General Accident	777	[illegible]	[illegible]
General Elec.	8,500	[illegible]	[illegible]
Glaxo	2,600	[illegible]	[illegible]
Globe Inv	266	[illegible]	[illegible]
Glynwed Int.	438	308	+3
Granada	1,300	335	+6
Grand Met.	5,100	458	+11
GUS A	17	£10¾	
GRE	1,480	181½	+2½
GKN	442	317	+3
Guinness	4,100	335	+2
Hammerson 'A'	146	660	+2
Hanson	10,900	149½	+3
Harrisons & Cros.	338	693	+10
Hawker Siddeley	454	553	+3
Hillsdown Hldgs	179	295	+2½
IMI	464	206	+1
Imp. Chem	1,100	£10¾	+⅛
Inchcape	1,100	212	+3
Jaguar	1,400	275	+3

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Northern Foods	[illegible]	[illegible]	[illegible]
Pearson	94	785	-2
Pearl	414	429	-3
P&O	1,000	574	+7
Pilkington	1,800	225½	+4
Plessey	15,900	221½	-2½
Prudential	1,500	154	+½
Racal	3,900	290	+4
Rank Org	269	726	+3
RMC	296	519	+5
RHM	490	360	+2
Reckitt & Colman	215	928	+9
Redland	180	423	+5
Reed International	2,100	404	+2
Reuters 'B'	623	478	+2
RTZ	2,080	446	+1
Rolls Royce	2,300	134½	+1

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
TSB	2,000	110½	+½
Tarmac	1,900	343	+5
Tate & Lyle	322	846	-2
Tesco	4,200	132	-1
THORN EMI	826	660	+5
Trafalgar House	665	315	+2½
Trusthouse Forte	2,200	267	
Ultramar	3,000	248	+13
Unilever	1,800	462	+4
United Biscuits	1,500	297	+8
Utd. Newspapers	241	399	
Wellcome	221	462	+4
Whitbread 'A'	2,000	292	-2½
Williams Hldgs.	969	263½	-½
Wimpey	600	245	
Woolworth Hldgs.	193	294	+6

NEW HIGHS AND LOWS FOR 1988

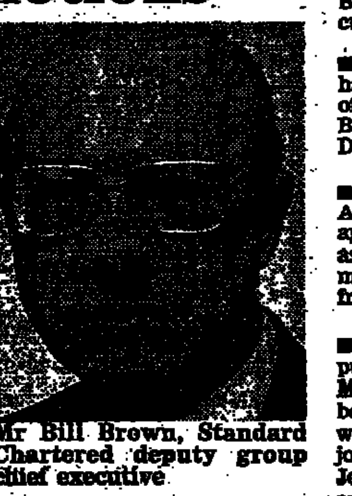
NEW HIGHS (188). [illegible] NEWSPAPERS (3) Blenheim Exhibits., Collins William, Daily Mail 'A', PROPERTY (3) Billon (P.), Cap. & Reg. Prop., Rundsworth Tst., SHIPPING (1) Mersey Dk. Units, TEXTILES (1) Palma Grp., TRUSTS (5) Drayton E Wrnts., Electra Inv. Tst., Murray Ventures, Do. Wrnts., St. Andrew Tst. [illegible] Int'l. Inc., Bluebird Toys, Dover Corp., Pavion 11pc '94-'02, Shiloh, SmithKline Beckman, NEWSPAPERS (1) Portsm'th & Sund., PAPERS (2) KLP Grp., Lawson Mardon Grp., PROPERTY (2) Rockfort Grp., Savills, TEXTILES (1) Text'rd Jrsy., TRUSTS (3) TR Tech., Siam Fund, Thai Euro Fd., OILS (1) Sceptre Res., MINES (10) Bracken, Cons. Mod'tein., Beatrix Mines, Duke Grp., Julia Mines, Peleart Res., Butte Mining, Hemlo Gold Mines, Highwood Res., Homestake Mining, THIRD MARKET (1) Far East Res.

NEW LOWS (58). BRITISH FUNDS (6) LOANS (2) N'wide 12⅞pc 18.9.89, Do. 12½pc 2.10.89, AMERICANS (8) Bowater Inc., Cullinet, Data General, [illegible]

APPOINTMENTS

Standard Chartered board promotions

■ Mr Bill Brown has been appointed deputy group chief executive, and Mr Patrick Macdougal has been appointed an executive director of STANDARD CHARTERED. The following have been promoted to the board of group subsidiary Standard Chartered Bank: Mr Ron Altringham (credit and other risk management); Dr Henry Fabian (group personnel); Mr Peter Gwilliam (international Eurocurrency banking); Mr Martin Hayman (chief legal officer); Mr Patrick Macdougall (group director, *merchant banking*); Mr John Maxwell (treasurer); Mr Peter McSloy (Asia Pacific region); Mr Ian Paterson (UK and North America); and Mr Alan Wren (Europe, Africa, Middle East and South Asia).



Mr Bill Brown, Standard Chartered deputy group chief executive

■ Sir Ian Trethowan, chairman of Thames Television, has been appointed president of the Cinema and Television Group of the European Commission, and is a member of the Community's committee of cultural consultants.

■ BURMAH has appointed Mr Geoffrey Thomas as director, personnel, Castrol (UK). He was with Mars G.B. Mr Jim M.J. Prophet becomes personnel director, Castrol, in February, 1989. He is personnel director of Burmah Speciality Chemicals, where he will be succeeded by Mr Brent Thomas, associate director employee relations for Sericol. Mr Steve J. Turley is made personnel director of Sericol Group. He is corporate personnel manager, Burmah head office.

■ BALFOUR BEATTY DEVELOPMENTS, property subsidiary of BICC, has promoted Mr John McKie and Mr Stephen Brimfield to the board.

■ Mr P.J.J. Doe has been appointed an associate director of FIRST NATIONAL FINANCE CORPORATION with responsibility for group internal audit. Mr K.W. Horlock has been appointed a director of First National Bank, with responsibility for customer relations.

■ Lord Armstrong of Ilminster has been appointed a director of the BRISTOL & WEST BUILDING SOCIETY from December 13.

■ THE SCOTTISH MUTUAL ASSURANCE SOCIETY has appointed Mr James M. Joyce as agency development manager, based at head office, from January 1.

■ THE QUARTO GROUP INC., publisher, has appointed Mr Michael Mousley to its main board as finance director. He was chief financial officer. Also joining the board is Miss Jennifer Manstead. She is sales and marketing director of Quarto Publishing.

■ Mr Thomas Carty has been appointed underwriting manager of HIR (UK) in succession to Mr L. Pereira.

■ UNISYS has appointed Mr Jan Poort as vice president, industry and commercial line-of-business marketing, at its Europe-Africa division headquarters at Uxbridge. He was with Digital Equipment Company in Holland.

■ LONDON & EDINBURGH INSURANCE GROUP has promoted Mr Clive Fletcher to director, personal lines claims; and Mr Nigel Dyer to research and development director, personal lines.

■ THE NORTHERN DEVELOPMENT COMPANY has appointed Mr Yoshihiro Soeda to the Japanese desk as London representative (Japan). He has had 33 years in banking, including 13 years with Barclays in the City.

■ Mr John Wright has been appointed director and general manager of THYSSEN LIFTS & ESCALATORS, Streatham.

Mr Tony Garner has become chief executive officer of MELVILLE TECHNOLOGY, Letchworth, Hertfordshire, and of its subsidiaries Sigma, Herald Engineering Equipment, Select Gauges, and United Metrology Inc. He was chief executive of Henry Sykes, and masterminded its sale to SPP. He is a non-executive director of Winchmore, and of Alco Standard.

LONDON SHARE SERVICE

AMERICANS – Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
27⅛	19⅜	Texas Instr. $1	[illegible]	[illegible]	72c	–	2.1
70[illegible]	43¼	Time Inc. $1	[illegible]	[illegible]	$1.00	–	1.0
21½	15⅝	Transamerica $1	[illegible]	[illegible]	$1.84	–	5.9
20¼	13½	TRINOVA Corp.	[illegible]	....	64c	–	2.6
19	14⅛	USX $1	14⅛	[illegible]	$1.40	–	5.4
24[illegible]	17⅝	Utd. Technologies	[illegible]	[illegible]	$1.60	–	4.2
34⅝	26¾	US West	30¾	[illegible]	$3.52	–	6.4
24⅝	16⅞	Waste Management $1	21[illegible]	[illegible]	48c	–	1.3
16⅞	12⅞	Whirlpool $1	13⅛	[illegible]	$1.10	–	4.6
33[illegible]	18¼	Woolworth $3½	27[illegible]	[illegible]	$1.64	–	3.5

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	154p	ABM Gold Corp	161p	–13	–	–	–
32p	9p	Abbot Energy Corp.	9p	....	–	–	–
14¼	916p	Amer. Barrick Res	964p	–2	–	–	–
10p	2½p	American Lightwave	3½p	+½	–	–	–
47p	7¼p	Armeno	5p	....	–	–	–
76p	37p	Augmitto Expln.	45p	....	–	–	–
14⅜	10⅝	Bk. Montreal	12⅛	–⅛	$2.00	–	7.5
769p	514p	Bk Nova Scot.	603p	–13	76c	–	5.7
18¾	15¼	BCE	15½	–⅛	$2.44	–	6.8
716p	552p	Bow Valley	552p	....	40c	–	3.3
13⅝	10½	Brascan	10¾	....	88c	–	3.7
328p	183p	Breakwater Res.	197p	–5	10c	–	2.3
12⅛	801p	Can. Imp Bank	10⅛	–⅛	$1.16	–	5.2
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on *"maximum" distribution; this compares gross dividend costs to* profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, *cover and P/E based on latest annual earnings. M Dividend and* yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p....γ	71	......
Craig & Rose £1...γ	718	+10
Finlay Pkg. 5p....γ	85	......
Holt (Jos) 25p.....γ	£11⅝	......

IRISH

Cap. 8½% Ln. 1991	£99⅝	......
9pc Cap Ln. 1996..	£103¼	......
Fin. 13% 97/02...	£124¼	......
Arnotts...............γ	375xd	+4½
Carrol Inds..........γ	155	−3
Grafton Grp.........γ	145	......
Hall (R. & H.).........	150	......
Helton Hldgs........γ	56	......
Irish Ropes..........γ	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils

Brit Petroleum	21
Do. (P. Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	65
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

COMMODITIES AND AGRICULTURE

Gorbachev mounts £70bn assault on food wastage

By Quentin Peel in Moscow

THE SOVIET Union is to spend 77bn roubles (£70bn) over the next seven years on upgrading food processing and agricultural storage – the most critical area of wastage affecting food supplies.

Details of the massive investment programme have yet to be revealed, but its scale underlines the Soviet authorities' deep concern at continuing food shortages throughout the country, causing a growing consumer backlash.

Mr Mikhail Gorbachev, the Soviet leader, who this week took a gathering of top Communist Party officials on a two-day tour of collective farms and leasehold operations 200 miles outside Moscow, says that radical improvements in transportation and storage would produce a dramatic improvement in supplies.

However a leading agricultural researcher warned yesterday that the huge investment programme would be wasted if the spending were left to government ministries.

Academician Vladimir Tikhonov, of the Lenin Agricultural Science Academy, said billions of roubles had already been wasted in "grandiose plans" by central government.

He suggested even more alarming figures for crop wastage than have been published before. The Soviet Union produced 87m tonnes of potatoes a year – more than China, the US, both Germanies and Britain combined. Yet in recent years not a single Moscow dweller . . . has been lucky enough to be able to buy 3 kg of good quality potatoes freely in spring, without queueing.

Based on his own researches over several years, he estimated that of the 60 kg per capita of potatoes produced on collective farms, only 19.7 kg actually reached the shops. The largest part of the difference "goes to the town dumps."

Writing in the weekly newspaper Moscow News, he said nine tonnes of reinforced concrete had been poured for every head of cattle in the country, but just as 30 years ago, one farm worker still looks after no more than a dozen cows.

"Of course these billions are needed," he said. "But the main question is how we are going to use them."

The answer was that the Rs 77bn must not be entrusted to the ministries and the Gosagroprom (state agri-industrial committee) of the Soviet Union, but to the local organs of Soviet power: the republican, regional and district Soviets of people's deputies.

New buildings and storage facilities should be organised "mainly on a co-operative basis" and transferred by the local Soviet to working collectives on a leasehold basis. The only direct relation with the state would be payment of the lease, and income tax.

Such radical thinking coincides with the message Mr Gorbachev was pushing to his party officials in Orel this week – although he clearly saw the need to deny that it meant any departure from true socialism.

"The most important thing is that it is not a matter of socialism as such, but a matter of our weaknesses, our inability really to tap the huge potential of socialism," the Soviet leader said. "We must now use cost-accounting, lease-contracting, co-operation, and restructuring economic relations to bring man back into production as master, and overcome his alienation from the means of production."

Tin case settled out of court

By Raymond Hughes, Law Courts Correspondent

A £23.6m claim against J.H. Rayner (Mincing Lane), part of the S. & W. Berisford group, by two Shearson Lehman Hutton companies has been settled on undisclosed terms.

Lawyers for Rayner said yesterday that the terms of the settlement were confidential.

The settlement was reached on the 59th day of the High Court hearing of an action by Shearson against Rayner, Maclaine Watson, a subsidiary of Drexel Burnham Lambert, and the London Metal Exchange.

The claims against Rayner and Maclaine Watson were both for money said to be due under tin contracts.

That against the LME is a challenge by Shearson to the validity of Rule M, brought in by the LME after the international tin market collapse to fix a so-called ring-out price overriding existing contract prices.

Shearson issued its writ in March, 1986. In December, 1986, the Court of Appeal awarded it a £5.2m interim payment against Rayner on the ground that that was the minimum Shearson would recover at the full trial.

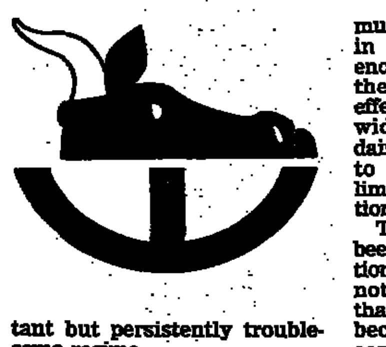
The hearing of the action began in June. It had been delayed for some months by an intervention by the International Tin Council, which tried unsuccessfully to stop its internal documents, or copies of them, being used in the litigation.

The action, which is continuing against Maclaine Watson and the LME, is not expected to end until after Christmas.

No date has yet been fixed for judgment to be given on the move by the members of the ITC to strike out actions against them by bank and broker creditors of the ITC. The case was heard in private for three weeks in September.

Trimming the fat off beef support

Tim Dickson continues our series on EC farm budget curbs



"ALL FARMERS need to do these days is to pick up a telephone, rather than make an effort to market their beef," lamented one Brussels expert as he summed up the main problem at the moment in the sector.

He was referring, of course, to the generous system of guaranteed "buying in", which assures producers a safe and trouble free outlet for their meat but which represents, as critics see it, a costly and inefficient means of income support.

Proposals tabled by the European Commission earlier in the autumn and under discussion for the first time in the Council of Ministers this week are designed to tackle this issue head on. The aim is to push through the sort of comprehensive reform for beef agreed for most other sectors at the February Summit of EC heads of government. In particular the Commission wants to restore the publicly financed intervention system to its intended role of providing a safety net for producers, rather than a "normal" commercial outlet, as it has come to be regarded.

Significantly the plan in part reflects Brussels' overall strategy of trying to shift the emphasis of the Common Agricultural Policy away from price support to more accurately targeted direct help for smaller producers.

In many ways the Commission's political timing is perfect. Market prices have firmed over the last 12 months (to 73.5 per cent of the guide or target support price this October across the Community, against 68.5 per cent a year earlier); weekly EC purchases have tumbled from 10,000 tonnes earlier in 1988 to less than 5,000 tonnes at the moment; and Mr Frans Andriessen, the EC's Farm Commissioner, is in determined mood to round off his four year spell in the job with a December deal for this important but persistently troublesome regime.

Notwithstanding the Commission's public display of confidence, however, the indications at this week's meeting were that next month's negotiations will be tough. True, there are those, like Britain's Farm Minister Mr John MacGregor and his Dutch counterpart Mr Gerrit Braks, who argue that production may take off again in the early 1990s on the back of rising prices, and that Brussels' plans to tighten up the system are thus fully justified.

There are others, however, like the Italian Government, who stress more pointedly the current position – while the community now produces 7 per cent more than it consumes, this surplus is likely to drop to 2 per cent this year and to turn into a 1.3 per cent shortfall in 1989. They paint a bleak picture of looming deficits in production which would reassert the need for strong public price support. France, which initially seemed to embrace the need for change, and Ireland are among those arguing strongly against significant departures from the status quo.

If there is one major lesson of recent years, it is that making projections about the EC beef market is a perilous task. Many had hoped that the dramatic 13 per cent cut in intervention prices and the partial modification of the system negotiated under the British presidency of the Community by Mr Michael Jopling in December 1986 would be enough to do the trick – but they reckoned without the effect on supply and prices of widespread slaughterings of dairy herds as farmers strove to keep within tough new limits imposed on milk production.

The level of guaranteed EC beef purchases into intervention stores (540,000 tonnes) was not markedly lower in 1987 than it had been in 1986 and because of the imbalances earlier this year Commission experts predict that the figure for 1988 will still be of the order of 450,000 tonnes. Efforts to sell off stocks have been stepped up in recent months – most notable was the 200,000 tonne sale to Eastern Europe – but at least 500,000 tonnes are expected to remain unsold in Community stores at the end of this year.

However, with output now clearly falling the outlook for 1989 is much more encouraging and the latest predictions in Brussels are that only 150,000 tonnes of new intervention beef will be bought in – significantly less than the new 200,000-tonne ceiling which the Commission is pushing to introduce under its latest proposal.

The basic thinking behind the planned changes for intervention is to break the "security" which producers associate with the system and encourage a more market oriented approach. "We still want to maintain a reasonable price but we believe that this is, in any case, being achieved by the reduction in supply," explained one senior official.

Besides the controversial 200,000-tonne limit, the Commission has two further modifications intended to limit intervention buying. One is the introduction of a tender system, as in the dairy regime. The other is a cut in the level of market prices which triggers intervention. If Brussels gets its way these will in future be set at 88 per cent of the intervention price for the EC average and 84 per cent of the intervention price in the member state concerned.

The second set of Commission proposals covers the reform of the various premium payments made directly to producers. Broadly speaking, the idea here is to try to channel at least some of the resources saved by tightening up intervention into this type of support.

Thus the suckler cow premium paid on specialist beef herds would be raised from Ecu 24 to Ecu 40 per animal and the so-called single, or "special," premium for male animals would increase from Ecu 25 to Ecu 40 per head (up to a headage limit of 75, compared with 50 at the moment).

All this has particular significance for the UK, which as things stand is set to lose its treasured variable slaughter premium, a capped deficiency payment which bridges the gap between market prices and the EC target price.

Britain continues to argue that the variable premium's virtues (keeping beef out of Community intervention stores and encouraging quality) outweigh the disadvantage (cost). But if, as most people expect, Mr MacGregor loses this battle he will fight hard to get the headage limit removed, on grounds both of principle and administrative efficiency. There were signs at this week's Council that others, notably Spain, shared this concern.

Surprisingly as it may seem the reforms may not save money in the short term – this year spending on beef is expected to be Ecu 2.38bn compared with the provisional 1989 budget allocation of Ecu 2.59bn, though in 1986 total spending on the sector was Ecu 3.48bn. "The intention seems to be not so much to save money as to redirect resources," said one normally grudging farm lobbyist admiringly.

Canada launches platinum coin

By Haig Simonian in Frankfurt

THE ROYAL Canadian Mint yesterday launched platinum and *silver versions of its* highly successful Maple Leaf coin in response to the booming interest among investors in platinum coins.

Mr Maurice Lafontaine, President of the Royal Canadian Mint, said the Platinum Maple Leaf, which is being issued in 1/10th, 1/4, 1/2 and 1 troy ounce sizes, marked a further extension of the Mint's range. The new coins will be legal tender with nominal values of C$5, C$10, C$20 and C$50. On the London bullion market yesterday platinum fell $7.10 to $575.5 an ounce, while silver was 631 cents an ounce down 7 cents.

"We have heard the call" from financial institutions and investors, many of whom had gone so far as to call the Mint, he said.

The new platinum coins follow the Australian Koala, launched in September, which topped its 100,000-oz annual sales target two months later.

Responding to questions about the success of the Koala, Mr Lafontaine was cautious in his forecasts for the platinum Maple Leaf, which also has a 100,000 oz sales target for the first year. "If we see that worldwide demand is evolving differently, we will alter our projection," he said.

Demand for the new platinum coins is expected to come mainly from Japan, where the strength of the yen against the US dollar has stimulated buying. Japanese purchases of platinum equalled the 1987 level within the first nine months of this year.

Mr Lafontaine said little about the source of platinum for the new coins. The raw material would be coming from Canada, the Americas and the Soviet Union, he said. According to the Mint, Canada produced 13.5 tonnes of platinum group metals last year, representing 5.1 per cent of world supply.

The success of the Koala, and the fact that a number of other countries are believed to be waiting in the wings with coins of their own, has triggered speculation about demand exceeding supply.

The silver Maple Leaf will be issued in the standard 1 troy ounce size, with a Canadian dollar $5 denomination. Output, which is expected to go mainly to North American markets, is targetted at 800,000 ozs in the first year.

THE FUTURE of the world platinum market "is by no means assured," according to Metals & Minerals Research, the London-based consultancy.

"Expected rises in mine and secondary output are already well documented," MMRS says, while "consumption may even now be past its point of fastest growth."

That scenario would suggest a quick return to surplus and inevitable pressure on the platinum price, the consultancy warns.

Its statement is a response to the bullish tone of the interim review of the platinum market published earlier this week by Johnson Matthey, which claims to be the world's largest refiner and supplier of platinum group metals.

That review saw a bright future for platinum jewellery and continuing progress in demand from the European automotive sector, which uses platinum as an exhaust cleaning catalyst.

However, MMRS says assumptions about European motor industry requirements "are not necessarily correct," because "the lion's share of the (EC) agreement on emission control has still to be decided." It also points out that European catalyst manufacturers are already producing some way above demand.

Brazil proposal to end two-tier coffee market

By David Blackwell

DELEGATES to the International Coffee Organisation (ICO) talks on the future of the coffee agreement will today continue to discuss a Brazilian proposal to end the so-called two-tier market.

Consumer countries, notably the US, have become increasingly concerned about countries outside the ICO being sold coffee at discounts of more than 40 per cent.

Evidence emerged this week to back their complaints. ICO preliminary figures show that exports from producers to non-members rose to 11.21m bags in the year to September, up from 7.64m bags in 1986-87.

Yesterday Brazil, the world's biggest producer, put forward a plan which would automatically penalise producers that sold coffee cheaply in the two-tier market, with an export quota cut as the final penalty. Exports to non-member countries would be monitored by their central banks or an equivalent monetary authority.

Brazil said yesterday that it would not accept a consumer proposal for a universal quota governing all coffee exports. The talks end today.

Brazilian logging curbs 'not working'

By John Barham in Sao Paulo

ENVIRONMENTALISTS and government officials say Brazil is continuing to export tropical hardwoods, in spite of a presidential moratorium on shipments.

The Government imposed the moratorium on exports last month as part of a package of measures to protect the environment and the Amazon rainforest in particular.

The package was a response to international uproar over a sharp increase in clearance in the Amazon – some 35,000 sq km of virgin forest were destroyed this year.

Professor Philip Fearnside, of the Institute of Amazon Studies, pointed out that Brazilian law had always banned exports of logs unless they were cut from areas to be flooded by hydro-electric dams. Sawn timber, however, could be exported. The professor said companies were "laundering" their exports by claiming logs came from hydro-electric dam sites.

Mr Adhemar Natsunaga, head of the enforcement division at the Forestry Development Institute (IBDF) admitted that policing was very weak: "Very little is being done. We just do not have enough people." he explained.

● The World Wide Fund for Nature has called on Japan, the world's biggest importer of tropical hardwood, "to halt its new log imports from Brazil which began this month," writes David Blackwell.

Mr Adam Markham, WWF Campaigns Officer, told the fifth council meeting of the International Tropical Timber Organisation in Yokohama earlier this week that a sudden influx of logs to Japan from Brazil "could seriously jeopardise attempts to improve forest management and conservation policies in South East Asia and could also open the floodgates of Japanese trade in Amazonian timber."

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER PRICES rallied on the London Metal Exchange yesterday with the cash Grade A quotation regaining £67.50 of the £200 it had lost over the previous five trading days. Dealers linked the rise, which took the price to £1,730 a tonne, to a firm opening on the New York market and a sharp dip in sterling against the dollar. Sentiment was reinforced by talk of Chilean purchases to cover against lost production. The traders noted that reports had been circulating of a possible suspension of January and February shipments from Codelco's Chuquicamata mine because of furnace/smelter problems. Zinc prices moved higher in sympathy with copper with the the cash position closing at $1,535 a tonne, up $42.50. The currency factor aided cash lead's £6 rise to £386 a tonne, but substantial commission house buying was also noted.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$9.95-10.05q	-0.55
Brent Blend	$12.00-2.10r	-0.57
W.T.I. (1 pm est)	$13.49-3.52x	-0.32
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$182-185	-1
Gas Oil	$122-124	-3
Heavy Fuel Oil	$57-59	-1.5
Naphtha	$127-130	-2.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$422.00	-3.25
Silver (per troy oz)♣	631c	-8
Platinum (per troy oz)	$575.5	-7.1
Palladium (per troy oz)	$128.75	+0.75
Aluminium (free market)	$2405	+50
Copper (US Producer)	142⅝-146c	-2½
Lead (US Producer)	40¾c	
Nickel (free market)	595c	-10
Tin (European free market)	£4090.0	+2.5
Tin (Kuala Lumpur market)	19.66r	+0.04
Tin (New York)	344.50c	
Zinc (Euro. Prod. Price)	$1475	
Zinc (US Prime Western)	70⅞c	
Cattle (live weight)†	113.95p	-0.29*
Sheep (dead weight)†	164.24p	-9.16*
Pigs (live weight)†	80.01p	-0.47*
London daily sugar (raw)	$265.6z	-0.8
London daily sugar (white)	$274.0z	-0.5
Tate and Lyle export price	£253.5	-2.5
Barley (English feed)	£110.00	-0.25
Maize (US No. 3 yellow)	£125.5w	
Wheat (US Dark Northern)	£115	-1
Rubber (spot)♥	51.0p	-0.5
Rubber (Dec)♥	57.75p	-0.5
Rubber (Jan)♥	58.5p	-0.5
Rubber (KL RSS No 1 Dec)	269.0m	-2.5
Coconut oil (Philippines)§	$567.5w	-2.5
Palm Oil (Malaysian)§	$410	
Copra (Philippines)§	$380w	
Soyabeans (US)	$175.5	-2.0
Cotton "A" index	59.35c	+0.05
Wooltops (64s Super)	630p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. x-Dec. w-Nov/Dec. v-Oct/Dec. u-Oct/Nov. q-Jan. †Meat Commission average latstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Dec	838	841	857	837
Mar	857	857	874	855
May	842	840	855	841
Jul	845	842	850	841
Sep	845	843	850	841
Dec	867	872	876	864
Mar	878	885	886	877

Turnover: 9204 (9230) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 16: 1086.12 (1066.07); 10 day average for Nov 17: 1074.46 (1068.55).

COFFEE £/tonne

	Close	Previous	High/Low	
Nov	1080	1080	1078	1070
Jan	1093	1088	1098	1086
Mar	1095	1095	1100	1090
May	1088	1088	1094	1085
Jly	1089	1088	1094	1092
Sep	1095	1089	1095	
Nov	1093	1090	1100	1093

Turnover: 2673 (4234) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 16: Comp. daily 114.90 (114.40); 15 day average 113.64 (113.64).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	230.00	237.60	230.20	229.00
Mar	226.20	230.40	230.60	225.20
May	220.60	224.80	224.40	220.20
Aug	216.60	220.40	218.00	
Oct	213.80	218.40	217.60	213.40
White	**Close**	**Previous**	**High/Low**	
Dec	250.50	254.50	250.50	
Mar	260.00	263.00	262.50	259.50
May	255.50	258.00	258.90	255.00
Aug	255.50	258.00	258.00	255.00
Oct	252.50		255.50	252.00
Mar	250.00		252.50	250.00

Turnover Raw 2078 (1482) lots of 50 tonnes. White 5005 (340).
Paris- White (FFr per tonne): Mar 1545, May 1507, Aug 1515, Oct 1492, Dec 1495, Mar 1495

GAS OIL $/tonne

	Close	Previous	High/Low	
Dec	120.75	124.25	122.75	120.75
Jan	119.00	123.00	121.50	118.75
Feb	117.25	122.00	120.00	117.00
Mar	114.50	118.50	116.00	114.50
Apr	112.00	114.75	112.75	111.50
May	110.25	114.00	112.75	110.00
Jun	110.00	113.00	112.50	109.75
Jul	111.25	113.50	113.00	111.50

Turnover 8020 (4829) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Nov	109.35	109.40	109.50	109.35
Jan	112.20	112.20	112.20	112.10
Mar	115.45	115.50	115.50	115.40
May	118.65	118.70	118.65	118.55
Jun	120.25	120.25	120.25	
Sep	103.25	103.10	103.25	
Nov	105.50	105.35	105.50	
Barley	**Close**	**Previous**	**High/Low**	
Nov	105.85	105.75	105.90	105.75
Jan	108.70	108.60	108.70	108.60
Mar	111.70	111.60	111.70	111.60
May	113.60	113.60	113.60	
Sep	99.85	99.65	99.65	
Nov	102.75	102.60	102.75	

Turnover: Wheat 259 (187), Barley 197 (310). Turnover lots of 100 tonnes.

POTATOES £/tonne

	Close	Previous	High/Low	
Feb	70.0	70.0		
Apr	95.5	97.0	97.2	95.1
May	109.5	110.0	109.5	109.0
Nov	85.0	85.0		

Turnover 158 (221) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Dec	159.00	162.00	159.00	
Feb	165.00	168.00	167.00	166.00
Apr	165.50	168.00	167.00	165.00
Jun	157.00	159.50	158.00	

Turnover 306 (231) lots of 20 tonnes.

US MARKETS

A SHARP DECLINE in energy prices helped push gold, silver and platinum markets lower, reports Drexel Burnham Lambert. Fund and commission house activity was featured. Copper prices advanced 530 in December as the market recovered from the previous day. Trade buying helped add strength near the close. In the softs, sugar prices fell 24 points as trade selling triggered off sell stops. March sugar closed at 992, below the 10 cent support level. Cocoa prices lost 5 in the March as trade and speculative selling was featured. Coffee futures fell 173 in December as first notice day approaches. The grain markets all fell as liquidation was precipitated by lower cash premiums. Soybeans and corn futures posted the largest declines. In the meat markets, trading was cautious as many await Fridays cattle on feed report. Expectations of high numbers depressed the feeder cattle with some spillover to the other meats. Cotton prices fell over 150 points in December as first notice day approaches. Switch activity was plentiful. In the energy markets, bearish sentiment in front of the upcoming OPEC meeting has caused major speculative liquidation.

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Dec	13.38	13.67	13.80	13.35
Jan	12.95	13.55	13.41	12.93
Feb	12.84	13.41	13.28	12.80
Apr	12.85	13.45	13.30	12.85
May	12.80	13.47	13.29	12.80
Jun	12.80	13.49	13.30	12.80

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	719/4	744/2	744/0	719/0
Jan	734/0	758/0	757/0	732/0
Mar	747/0	770/2	769/0	745/0
May	752/4	775/4	774/0	751/4

WORLD STOCK MARKETS

CANADA

TORONTO

4pm prices November 17

MONTREAL

4pm prices November 17

Total Sales 3,649,878 shares.

INDICES

NEW YORK — DOW JONES

	Nov 17	Nov 16	Nov 15	Nov 14	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2052.45	2038.58	2077.17	2065.08	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.79	89.97	89.93	90.01	91.25 (3/3)	86.12 (4/1)	–	–
Transport	890.98	890.98	906.51	909.08	939.33 (25/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	182.31	181.54	183.08	182.55	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2064.19 (2081.40) Low 2033.25 (2026.67)

STANDARD AND POOR'S	Nov 17	Nov 16	Nov 15	Nov 14	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	264.61	263.82	268.34	267.72	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	303.93	302.84	308.44	307.73	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.33	24.36	24.68	24.60	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	149.24	148.96	151.33	151.04	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	285.37	286.30	289.59	289.40	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	367.43	367.79	372.13	372.37	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Nov 11	Oct 21	Oct 14	year ago (approx.)
Dow Industrial Div. Yield	3.81	3.54	3.63	3.54

	Nov 16	Nov 9	Nov 2	year ago (approx.)
S & P Industrial div. yield	3.32	3.19	3.09	3.31
S & P Indl. P/E ratio	12.13	12.60	13.52	16.39

TRADING ACTIVITY † Volume

Millions	Nov 17	Nov 16	Nov 15
New York	142.204	161.710	115.170
Amex	9.190	8.040	8.280
OTC	(u)	127.993	111.879

NEW YORK	Nov 17	Nov 16	Nov 15
Issues Traded	1,955	1,955	1,943
Rises	619	296	710
Falls	825	1,216	709
Unchanged	511	443	524
New Highs	9	5	14
New Lows	53	63	36

CANADA

TORONTO	Nov 17	Nov 16	Nov 15	Nov 14	1988 High	1988 Low
Metals & Minerals	2784.2	2778.8	2804.4	2812.4	3226.5 (5/7)	2238.7 (8/2)
Composite	3198.5	3209.8	3245.0	3232.2	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1578.00	1580.48	1603.11	1593.50	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
RJR Nabisco	5,819,100	82¾	– 1⅛	General Electric	1,369,400	43⅝	+ ⅞
Texas Util	3,478,600	28⅞	– ⅛	Pillsbury	1,269,900	56½	+ ½
Bankers Tst NY	1,676,300	36⅞	– 1⅛	Exxon	1,258,000	41½	+ ½
Hospital Corp	1,412,200	45¾	– ⅛	IBM	1,233,500	115½	----
Navistar	1,387,100	4⅞	----	AT&T	1,128,800	27⅞	----

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Nov. 17	Nov. 16	Nov. 15	Nov. 14	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1494.9	1522.3	1523.1	1526.9	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	710.2	726.1	729.7	728.8	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	221.90	221.80	220.20	220.60	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5312.40	5321.60	5307.90	5323.90	5383.00 (10/11)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	241.19	240.80	240.39	247.87 (1/11)	180.68 (4/1)
FINLAND						
Unitas General (1975)	725.3	723.5	722.7	724.4	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	389.6	392.7	390.2	390.4	397.2 (9/11)	251.3 (29/1)
Ind. Tendance (31/12/87)	149.6	151.7	149.8	149.7	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	522.00	(c)	523.55	518.17	542.21 (27/10)	396.40 (29/1)
Commerzbank (1/12/53)	1573.5	(c)	1580.5	1566.10	1641.60 (27/10)	1207.9 (29/1)
DAX (30/12/87)	1264.59	(c)	1262.54	1261.84	1314.98 (28/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2568.79	2566.88	2568.58	2537.99	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	575.67	579.53	571.88	575.09	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	29076.81	28996.12	28829.41	28520.90	29076.81 (17/11)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2240.10	2234.98	2234.15	2219.69	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	268.4	271.4	270.7	270.7	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	233.9	236.7	235.5	234.9	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	415.81	420.11	415.29	418.49	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	991.23	998.55	997.83	1002.65	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1343.0‡	1336.0	1346.0	1347.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1844.0‡	1848.0	1850.0	1848.0	1869.0 (2/11)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	283.45	285.68	285.00	285.57	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	3184.00	3150.80	3167.00	3267.33 (4/11)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	563.1	570.5	567.1	566.5	582.3 (21/10)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	478.6	478.9	476.1	479.0 (14/11)	401.0 (21/1)

**Saturday Nov. 12: Japan Nikkei (c) and TSE (c)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 17 November 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	72.8m	888	-18	Dowa Mining	14.7m	795	+35
Nippon Oil	26.2m	1,570	+50	Toshiba	14.5m	1,010	-10
NKK	24.6m	900	-9	Cosmo Oil	13.9m	1,150	+40
Kawasaki Steel	23.5m	1,070	-20	Kobe Steel	13.4m	728	-18
Sumitomo Metal	16.3m	740	-15	Dainippon Toryo	13.3m	1,360	+200

4pm prices November 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR	.44	2.0	16	311	22⅛	21⅞	21⅞	
10⅛	8¼	ACM n				219	9⅛	8⅞	9⅛	+ ⅛
12¼	10⅛	ACMIn 1.26a		11.		255	11⅜	11¼	11¼	− ⅛
10⅛	10	ACM M n				278	10⅛	10	10	
12¼	10⅜	ACMSc n1.26		12.		1098	11	10⅞	10⅞	
10⅛	8⅞	ACMSp n1.01		11		880	9⅛	8⅞	9	
8⅛	3⅛	AM Intl				1068	4¼	4⅛	4⅛	− ⅛
23¼	18⅛	AM Int pf	2	9.4		9	21⅜	21¼	21⅜	+ ⅛
51¼	26¼	AMR			8	3436	47½	46½	47⅛	+ ⅛
27	25	ANR pf	2.67	10.		286	25⅞	25⅝	25⅞	
9½	5⅜	ARX			10	895	5⅝	5⅝	5⅝	
58¾	35¼	ASA	3a	7.8		249	39½	38⅝	38⅝	− ⅞
20¼	11	AVX	.12e	.8	11	925	16⅝	15¼	15¼	− 1
52⅞	42¼	AbtLab	1.20	2.7	14	2929	44⅞	44½	44½	− ⅛
21¾	15⅛	Abitibi g	1			38	16	15¾	16	
13⅞	7⅞	AcmeC	.40	5.1		70	8⅛	7⅞	7⅞	− ¼
8⅞	6⅛	AcmeE	.32b	5.2	27	13	6¼	6⅛	6⅛	− ⅛
29½	12¼	Acusn			20	489	21⅜	20¼	20⅜	− ¾
17¾	14⅜	AdaEx	2.06e	14.		98	15¼	15⅛	15⅛	
16⅞	7¼	AMD			14	2546	7¾	7⅜	7½	+ ⅛
43½	29¼	AMD pf	3	9.9		11	30⅜	30¼	30¼	− ⅛
8½	4⅝	Adobe				38	6¼	6⅛	6⅛	
18½	16¼	Adob pf	1.84	11.		10	17⅛	17	17	− ⅛
21⅛	19¾	Adob pf	2.40	12.		3	20⅛	20⅛	20⅛	
9¼	5⅞	Advest	.12	1.7	22	113	7⅜	7⅛	7⅛	− ⅛
52½	39½	AetnLf	2.76	5.8	8	975	47¾	47¼	47¾	+ ⅜
96	90¼	AetL pfC5.83e		6.2		2	93½	93½	93½	+ ½
34⅛	20½	AhlPb s	.20	.7		234	28¾	28½	28⅝	+ ⅛
18⅝	13	Ahmans	.88	5.7	9	1609	15¾	15⅜	15½	+ ⅛
4⅝	1⅞	Aileen				15	3⅞	3¾	3¾	
53⅜	30⅝	AirPrd	1.20	3.1	10	763	39⅛	38¼	38½	− ⅜
19¾	11⅛	AirbFrt	.60	3.2	16	244	18½	18¼	18½	+ ⅜
16¼	6¾	Airgas			16	173	15⅜	15	15⅛	+ ¼
20	14½	Airlease	2.40	12.	9	58	19⅝	19⅛	19⅝	+ ⅛

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15½	14	RitRef	1.72	12.	8	7	14⅝	14½	14½	− ⅛
11⅞	6½	RaonEq			28	5377	10⅞	9⅞	10⅞	+ ⅞
10⅞	5¼	Redmn	.36	3.7		28	9⅞	9⅝	9¾	+ ⅛
15½	8½	Reebok	.30	2.6	8	6001	12	11½	11¾	+ ¼
1⅝	5-32	Regal				427	7-32	3-16	3-16	+ 1-32
6⅝	4¾	RegIFn	.25e	3.9		202	6⅝	6⅛	6⅜	+ ⅛
16⅞	12¼	ReichTg	1.76	12.	9	69	14⅞	13⅞	14⅛	+ ⅛
7½	4½	RelGrp	.32	6.7	6	237	4¾	4⅝	4⅝	
6⅞	4½	RepGyp	.20	4.8	22	58	4½	d 4⅛	4⅛	− ⅛
48⅛	38½	RepNY	1.20	2.8	10	155	42⅞	42⅝	42⅝	
58	45½	RNY pf	[illegible]	8.6		110	44½	d 44½	44½	− 2⅛
23¾	16	Rxene	n.15e	.9		365	17	16¾	17	+ ⅛
58	34	RayMtt	1	2.0	7	1626	51	50	50⅛	+ ⅛
40⅞	28¼	RiteAid	.76	2.1	15	378	35	34⅝	34⅞	+ ⅛
1	½	RvrOak				143	½	½	½	
16½	9	Robtsn				126	9	d 8⅝	8⅞	− ⅛
27	12¼	vjRobins			12	21	22½	22¼	22¼	− ¼
18¼	14½	RochG	1.60	8.5	11	210	17¾	17½	17⅝	− ⅛
49¼	39	RochTl	2.72	5.7	13	192	47⅞	47⅝	47⅝	− ¼
11½	6⅝	Rclwy	.36	3.7	11	75	9⅞	9¾	9¾	− ¼
20⅞	16⅞	RchCtr	1.84	9.3	15	221	19⅞	19¾	19⅞	+ ⅛
23½	16⅞	Rockwl	.72	3.7	8	2075	19½	19	19¼	+ ⅛
9⅝	4⅞	RodRen	.14	1.8		27	7⅞	7¾	7¾	− ⅛
37½	26	RoHaas	1.12	3.5	9	542	32⅞	31⅞	32	− ⅞
33½	15⅛	Rohr			14	2125	26½	25⅞	26⅛	+ ½
19⅞	9⅞	RollnE	s.08	.8	18	2688	10	d 9½	9⅝	− ⅛
19¼	13⅝	Rollins	.52	3.1	16	186	17¼	16⅞	17	
48¼	21⅝	Rorer	s.80	2.1	22	2227	39¼	38⅝	38⅞	− ⅝
8⅞	4	Rowan				748	5	4⅞	4⅞	− ⅛
124¼	101	RoylD	7.24e	6.4	7	2657	113⅛	112⅞	113	+ ⅝
13½	7	RoyInt	.16e	1.7	11	173	9¾	9½	9½	
8⅞	6	Royce	.22e	2.7		221	8⅛	8	8⅛	
27	19⅞	Rubmd	.44	1.9	18	672	24	23½	23⅝	

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29¾	19⅝	XTRA pf	1.94	7.5		47	26	25½	26	− ¼
59¼	19¼	Yorkin			15	66	53½	52½	52½	− 1
3⅞	2¼	Zapata				273	2½	2½	2½	
27⅛	13½	Zayre	.40	1.6	164	4349	25⅛	24	24⅝	− ⅞
15½	8¾	Zemex	.40	3.0	17	5	13½	13⅛	13⅛	− ¼
30	13	ZenithE				1241	17⅞	17	17⅛	− ½
10¾	9½	Zenin	n.49e	4.9		207	10	9⅞	10	
4⅛	1	vjZenLb				630	2½	2¼	2⅜	
21⅞	13⅛	ZeoNtl	.80b	5.3	7	1014	15⅝	15	15⅛	− ⅝
17¼	11¾	Zero	.44	2.7	14	392	16⅝	16⅜	16½	
29	15½	Zurnin	.66	2.6	15	199	25⅞	25⅜	25¾	
11¼	8⅛	Zweig	1.04	10.		419	10⅛	10¼	10¼	
10⅛	9⅞	ZweigT	n.08e	.8		1310	10	9⅞	9⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices November 17

OVER-THE-COUNTER

Nasdaq national market, 3pm prices November 17

Stock	Div.	Sales 100s	High	Low	Last	Chng
WolvEx		142	6⅝	6⅛	6⅛	
Worthg	.44	14 1040	21	20¾	20⅞	
Wyman	.60	15 614	16	15½	16	+ ¼
−X−Y−Z−						
XL Dta		16 32	24½	24	24	− ¼
XOMA		416	12	11¾	11¾	− ¼
X-Rite	s	14 73	9	8¾	9	+ ¼
Xicor		11 959	7	6⅞	6⅞	− ⅛
Xyvan		149	4⅞	4⅝	4⅞	+ ⅛
YelowF	.70	18 838	31⅛	30⅝	30¾	+ ⅛
ZionUt	1.44	23	23¼	23	23¼	+ ¼

AMERICA

Modest Dow rally follows moves to support dollar

Wall Street

EQUITIES moved modestly higher in moderate trading yesterday after the Group of Seven and some European central banks co-ordinated intervention to support the dollar, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 13.87 points higher at 2,052.45 in volume of 142m shares.

The rally in stocks was limited by the fact that, in spite of the first serious bout of co-ordinated intervention over the dollar's current precipitous slide, the US currency still remained vulnerable. At the close of trading in New York it was quoted at Y122.05, compared with an earlier high of Y123.10, and at DM1.72275 from DM1.7375 earlier.

The intervention started in Tokyo where the dollar nevertheless closed at Y121.30, the lowest level recorded in Japanese trading in the post-war period. It was the entry into the market of the West German Bundesbank, which has *been absent from intervention,* which finally gave the dollar a mild boost.

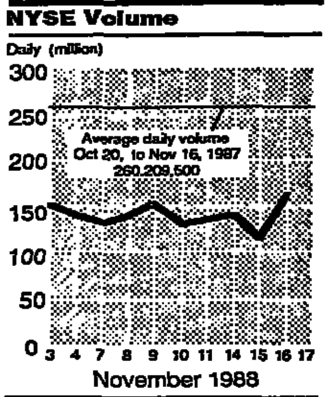
Sentiment across the financial markets remains extremely bearish. Speculation has started to grow that the US Federal Reserve may raise the discount rate although at this stage this seems premature. Nevertheless, there is now a widespread view that interest rates are headed higher not only in order to choke robust economic growth and strong domestic demand, which continue to suck in imports, but also to support the dollar if it remains under selling pressure in the longer term.

The warning shots, sounded by Mr Alan Greenspan to the National Economic Commission on Wednesday, were interpreted by some as a veiled threat that the Fed would be prepared to raise interest rates if there was no concrete action on tightening the fiscal stance.

Markets are looking for a positive statement on the most pressing policy issues from President-elect George Bush before he has even assembled his team and taken office.

Equity analysts appear to believe that sharp price

NYSE Volume



declines since the election leave the market in good technical shape for a recovery but that this may prove temporary.

Mr Newton Zinder, equity strategist for Shearson Lehman Hutton, noted that the market was now at its most extreme short-term oversold position since mid-August, but that his technical indicators suggested that any rally would be followed by another low.

RJR Nabisco was again the most actively traded share on the New York Stock Exchange. It slumped $1⅛ to $82⅞ after ITT and Metropolitan Life announced they were suing the company because of losses on their bond portfolios after RJR announced its leveraged buy-out proposals.

These suits completely overrode news that First Boston and Resource Holdings, backed by the Pritzker family, had submitted a joint bid for RJR Nabisco.

Veeco Instruments added $1⅞ to $24⅝ after the company agreed to be acquired by Britain's Unitech for $26.50 a share.

General Signal jumped $4⅝ to $47⅝ after the company announced that it planned a Dutch auction tender offer for up to 9m common shares at a set price of between $44 a share and $51 a share.

Holly Farms dipped $⅝ to $51⅝. It agreed yesterday to merge with ConAgra in a deal in which the latter would acquire Holly Farms in exchange for ConAgra common stock. Tyson Foods which has made a $52-a-share bid for *Holly Farms had no comment* on the news. ConAgra fell $1⅛ to $27⅝ while Tyson Foods slipped $⅝ to $15⅛.

Interco ended $1⅛ higher at $64⅝ after a volatile day of trading. The $74-a-share offer for the company from the Rales brothers of Washington has now expired and Interco has said it will meet early next week to consider whether to issue a third and final special dividend of $76 a share as part of its restructuring.

Canada

THE MARKET followed Wall Street down on fears of higher interest rates, but failed to respond to the late rally in *New York. Lower oil prices* and a reluctance to take positions ahead of Monday's Canadian election added to the uncertainty in Toronto.

The composite index closed down 11.3 at 3,198.5 on volume of 19.6m shares.

Indians ring in new year with batch of records

R C Murthy finds that rains and bids are behind Bombay's climb

Indian stock markets have ushered in the country's financial new year on a cheerful note, with market indices continuing to scale new peaks.

Bombay share prices gained ground yesterday to a record 711.5, following Wednesday's climb to a high of 708 and Tuesday's post-holiday profit-taking. The market was closed on Monday for an extended weekend to celebrate Diwali – the festival of lights – and the new year of Vikram Samvat 2045.

The investment community believes that trading on new year's day, which fell on November 9 and is called "moorat," sets the pace for the rest of the year – and the mood is upbeat. Individual investors are gradually returning to the exchange, helping to improve turnover levels. The economic fundamentals also look promising for further share price gains.

Last month, the number of transactions on the Bombay Stock Exchange rose by a third to more than 13,000 a day, with the value of business doubling to R913m daily. Since the end of August, the market's capitalisation has jumped by more than a third to R350bn from R250bn, with more than 600 companies now listed.

The BSE 30-share index has risen 10 per cent since the end *of September. The All-India* share index of the Economic Times, India's main business newspaper, has meanwhile climbed even faster – by 15 per cent to 360.7 – indicating that gains are evenly spread through the market.

The latest rally has been fed by a string of favourable events: the best monsoon rains for 20 years between June and early September, a forecast of record foodgrain production and strong corporate results.

Concern late in September that floods in north India would damage crops, especially cotton, proved unfounded.

Takeover bids have contributed to the market's strength. Reliance Industries, India's third largest private sector company, last month acquired control of Larsen and Toubro, a high technology engineering company. L and T shares nearly doubled to R140 in less than six months at the height of the bid activity.

The present bull phase is different from the market's 1985-86 boom. There is little of the fever of the past; at regular intervals there is a pause for profit-taking, preventing stock markets from over-heating.

Liquidity is set to rise, with more unit trusts and closed-end funds on offer, increasing availability to foreigners, who can invest in the market only through such special funds. Just over a year ago, only one fund was available, compared with the three at present, and another three are planned. The corporate sector is to raise about R20bn in rights, new share and bond *issues before the end of next* February.

That is when Indian stock markets are expected to encounter their next key test – the Indian Government presents next year's budget on February 28.

SOUTH AFRICA

A SLIGHTLY firmer bullion price encouraged interest in Johannesburg gold stocks, which closed mixed to higher.

Randfontein rose R2 to R277, Freegold found 50 cents to R30.25 and Vaal Reefs advanced R3.50 to R274.50, while Kinross eased 25 cents to R36.50.

EUROPE

Nestlé's bearers plummet after hours on shock news

CORPORATE news enlivened bourses around Europe yesterday, and while most lost ground they ended off their lows, *writes Our Markets Staff.*

ZURICH closed before the shock news from Nestlé that it would allow foreigners to buy its registered shares, although confused after hours trading in Swiss shares in London and New York gave some indication of the panic that can be expected today.

Shares fell in Zurich in reaction to the lower dollar, with the Crédit Suisse index off 3 at 485.3. Nestlé bearers closed at SFr8,745, off SFr45, and after the news were quoted in a wide range in London and New York – falling as low as SFr5,900 with a top figure around SFr7,250. The registereds, which closed in Zurich at SFr4,320, up SFr10, were quoted later in London at about SFr6,000.

There were few buyers for the bearer shares, which had been trading at a premium of over 100 per cent to the registered, said one analyst. But there were plenty of angry foreign shareholders fearing that their bearers would plummet in price to the level of the registered stock. Another possibility is that the two prices meet in the middle.

The Nestlé news prompted queries about whether other companies would follow suit. It also made other stocks in the same sector look comparatively expensive, said a salesman.

FRANKFURT recovered from the dollar-induced jitters that hampered the market earlier *this week, and with dealers* returning from Wednesday's holiday in positive mood shares closed higher. Although the FAZ at midsession was down 1.55 at 522.00 on Wall Street's overnight losses, late buying and forecasts of 3¼ per cent GNP growth this year helped the DAX index close 2.05 firmer at 1,264.59 on turnover worth DM2.6bn.

The market's currency worries appeared to be receding, said one dealer, because many people now believe that central banks will not allow the dollar to drift below DM1.70.

Schering advanced DM3.50 to DM573.50 despite "disappointing" three quarter profits up 6.2 per cent to DM137m. One dealer thought the shares gained ground on speculation over whether US group ICN Pharmaceuticals would succeed in its plan take a 25 per cent stake in Schering.

The market had its first chance yesterday to pass judgment on Siemens' joint bid with GEC for UK electronics concern Plessey, and the reaction seemed favourable as Siemens rose DM1.50 to DM471.50. Nixdorf's recent announcement that it might cut this year's dividend left its shares DM9.70 lower at DM380.

PARIS took a lead in early trading from New York's overnight performance, but managed to regain some ground in late buying, again inspired by Wall Street, which opened firmly. The CAC General index was off 3.1 at 389.6 and the OMF 50 index fell 2.6 to 405.66.

Matra saw heavy volume, rising FFr8.30 to FFr224.30 with about 111,000 shares dealt. CCF had a similar turnover and eased FFr2.10 to FFr168.

MILAN fell sharply in early trading under Wall Street's influence and the uncertain direction of overseas markets, before the underlying positive tone of domestic equities and good economic fundamentals helped shares stage a mini recovery. The Comit index lost 3.86 to 575.67.

Sentiment was not helped by further talk from the Government of introducing a capital gains tax, a move it must make to fall in line with European Community regulations.

Fiat's decision to seek a Wall Street listing for its American depositary rights failed to stimulate demand, and the car group's shares lost most of Wednesday's gains to close L75 easier at L9,780.

BRUSSELS failed to draw comfort from this week's cut in interest rates as New York's losses overnight sent share prices dropping. At the close the cash index was down 9.18 at 5,312.48.

Tourism group Wagons-Lits was again the main feature, climbing BFr90 to BFr7,200 on *relatively heavy turnover of* over 10,000 shares. The stock has derived its recent strength from speculation that the group's two main French shareholders are planning a takeover bid. The two companies, Caisse des Depots et Consignations and Marceau Investissements, already own 28 per cent of Wagons-Lits shares between them.

STOCKHOLM fell back in reduced volumes with investors having to wait until after the close for the release of most of the day's company results.

The Affärsvärlden index lost 1.3 to 942.7 and volumes fell to SKr247m worth of shares compared with SKr323.4m on Wednesday. But there was not much selling on the downside, according to one analyst, with the trend of late being that institutions would enter the market and boost volumes in a rising market, only to withdraw, keeping volumes low, when prices were marked down.

The results from Aga, Volvo, Astra, Pharmacia and Ericsson, were generally within the range of expectations. Volvo rose SKr7 to SKr347.

MADRID followed the wagging tail of Wall Street, with the general index falling 3.90 to 285.57. The losses were widespread, and volumes were low, estimated at about the same level as Wednesday's $85m.

Telefónica was one stock with large turnover, falling another 3.5 points to 179.5 per cent of par in big turnover. The stock has lost 6.4 per cent in value since mid-October and has underperformed the market by 5.4 per cent over the past month, with an increasing number of houses tagging a sell sign on the issue.

Torras Hostench, the KIO controlled industrial holding company, added 70 to 2,020. There is a private international placing of 10m shares in the company currently underway – at a price of between 1,850 and 2,150 – and the stock is well supported at the moment, said one analyst.

AMSTERDAM edged lower in average trade with Wall Street's firmer opening and central bank support for the dollar reducing losses. The *CBS all-share index ended* down 0.6 at 96.7.

Among insurers, Stad Rotterdam – which reported higher three quarter profits – advanced 20 cents to Fl 140.70.

ASIA PACIFIC

Electricals help Nikkei top 29,000

Tokyo

THE TURMOIL on currency markets and a sharp overnight fall in New York failed to undermine the buoyant mood in Tokyo and share prices once again closed higher on a wide front, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed above 29,000 for the first time, rising 80.69 to 29,076.81. The *index surged to a high of* 29,119.87 during the day, after dropping more than 90 points to a low of 28,832.99.

Volume fell, however, with 880.75m shares traded compared with 1.23bn on Wednesday. The TOPIX index of all listed stocks firmed 5.12 to 2,240.10, while the ISE/Nikkei 50 index moved up 5.88 to 1,853.94 in London trading.

Tokyo could not hide its initial surprise and puzzlement at the fact the significantly improved US trade figures for September met with unexpected sharp falls in the dollar and on Wall Street. In early morning trading, the Nikkei index responded by falling a hefty 91.46 points.

After that, however, Tokyo managed by and large to ignore New York. Even while the closely watched Nikkei index dropped in the morning, demand continued for lagging issues. Mr Masami Okuma, chief trader at UBS Phillips and Drew, *said the spread of* interest from the market-leader large-capital steels to issues that had been largely neglected was also a move to companies that have reported improved business results.

The move to such laggards stems partly from the present high prices for market leaders. *There really was not much else* to turn to, said Mr Okuma.

Notable among the laggards were export-dependent electrical and precision machinery companies, which rallied during the day in spite of a stronger yen. Most analysts agreed that the shift in interest to electricals was "a classic technical move," as Mr Stephen Richardson, head of sales at W.I. Carr, put it.

Among electricals and precision machineries, Sony advanced Y240 to Y6,220, NEC firmed Y70 to Y1,930 and Fujitsu added Y60 to Y1,530.

Oil companies were bought on the strength of their property assets, as well as on a recent newspaper report saying they could benefit from a new value added tax that has just been forced through the Lower House of the Diet (Parliament).

Nippon Oil, the second most heavily traded issue at 26.2m shares, rose Y50 to Y1,570.

Interest shifted away from large-capital steels. Nippon Steel was again most heavily traded at 72.8m shares and lost Y16 to Y898.

Investors in Osaka also turned towards laggards, pushing the OSE average up 193.54 *to 26,753.93. Volume was sub*stantially lower at 97.3m shares compared with 164.7m shares on Wednesday.

Roundup

OVERNIGHT losses in New York once again took precedence over Tokyo's gains on *the Asia Pacific markets* yesterday, with Australia's weakness compounded by high domestic interest rates and the strong local dollar.

AUSTRALIA took its lead from Wall Street's overnight weakness and closed sharply lower as interest rate pressure and the strong Australian dollar pushed the main index through the key support level of 1,500. The All Ordinaries index fell 27.4 to 1,494.9, a drop of almost 2 per cent and its *lowest point since May 25.* Turnover was slightly up at 113m shares worth A$185m.

An indication of the downward pressure on equity prices was seen in bank group Westpac, which dropped 16 cents to A$5.52 after reporting record annual profits of A$693m, up nearly 70 per cent.

Warnings from Ampol Exploration that its profits would be badly hit by low oil prices and the strong local dollar left the group's shares 13 cents weaker at A$1.62.

HONG KONG shrugged off Wall Street's losses as shares rose in steady buying on the strength of local economic fundamentals. The Hang Seng index closed 1.91 higher at *2,568.79 on turnover worth* HK$518m.

Hong Kong-TVB returned to the market after Tuesday's muddle over the company's restructuring. With dealers finally aware that the HK-TVB stock no longer included its television interests, the shares opened at HK$2 before selling pressure left the price 37 cents easier at HK$1.63.

SINGAPORE eased slightly in lacklustre trading in the wake of Wall Street's weakness. The Straits Times industrial index shed 7.32 to 991.23 *on turnover of 17m shares.*

Once again uncertainty about the direction of the dollar and prospects for overseas markets persuaded institutional and foreign investors to stay away. Guinness Malaysia rose 16 cents to S$3.26 on news of its plans to merge with Malayan Breweries, which eased 20 cents to S$10.70.

TAIWAN'S recent surge showed signs of slowing, as the weighted index added 49 to 7,139.89 on turnover of just under 700m shares, well down on Wednesday's record high volumes.

NEW ZEALAND fell to its lowest level in eight months, with the Barclays index dropping 36.16 to 1,911.45, *writes Dai Hayward in Wellington.*

The market's bearish tone was compounded by the overnight fall on Wall Street and losses in Australia. Short bursts of confidence over recent weeks have quickly subsided, with the market falling back on each occasion. The expected anticipated support from overseas investors has not been sustained.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY NOVEMBER 17 1988					WEDNESDAY NOVEMBER 16 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	145.78	−1.5	118.65	112.91	4.66	148.03	120.49	115.25	152.31	91.16	97.54
Austria (17)	98.08	−0.2	79.83	88.39	2.43	98.28	79.99	88.55	98.34	83.72	92.26
Belgium (63)	132.44	−0.7	107.80	119.21	4.25	133.33	108.52	119.69	139.89	99.14	103.28
Canada (125)	114.29	−0.6	93.03	102.08	3.40	115.00	93.61	102.51	128.91	107.06	100.76
Denmark (39)	148.20	−0.6	120.63	135.20	2.22	149.06	121.32	135.27	149.06	111.42	108.75
Finland (26)	130.67	+0.4	106.36	112.84	1.48	130.14	105.93	112.61	139.53	106.78	–
France (130)	110.79	−0.7	90.18	102.67	3.16	111.56	90.80	103.12	111.95	72.77	84.14
West Germany (102)	86.28	−0.8	70.22	77.53	2.40	86.94	70.76	77.87	87.49	67.78	75.66
Hong Kong (46)	105.63	−0.1	85.98	105.82	4.79	105.74	86.07	105.98	111.86	84.90	87.09
Ireland (18)	132.25	−0.4	107.64	120.97	4.12	132.85	108.13	121.67	144.25	104.60	101.35
Italy (100)	84.74	−0.9	68.97	81.32	2.48	85.48	69.58	81.91	86.73	62.99	77.04
Japan (456)	185.33	+0.1	150.85	143.63	0.52	185.06	150.62	143.30	185.33	133.61	137.31
Malaysia (36)	138.46	−0.3	112.70	143.18	3.00	138.84	113.00	144.02	154.17	107.83	103.87
Mexico (13)	169.78	+0.7	138.19	424.54	1.28	168.55	137.19	421.45	180.07	90.07	149.21
Netherland (38)	108.72	−0.6	88.49	96.71	5.10	109.40	89.05	97.09	111.00	95.23	97.06
New Zealand (25)	72.73	−0.9	59.20	59.70	6.53	73.40	59.74	60.50	84.05	64.42	77.85
Norway (25)	121.84	−1.3	99.17	108.77	2.67	123.48	100.51	109.91	132.23	98.55	107.38
Singapore (26)	118.96	+0.0	96.82	106.32	2.55	119.00	96.86	107.02	135.89	97.99	98.95
South Africa (60)	119.18	−1.2	97.01	97.39	4.72	120.65	98.20	97.67	139.07	98.26	126.02
Spain (42)	152.36	+0.5	124.01	131.58	3.11	151.55	123.35	130.65	164.47	130.73	118.95
Sweden (35)	132.33	−0.8	107.71	118.76	2.41	133.35	108.54	119.13	133.58	96.92	97.42
Switzerland (56)	84.45	−1.1	68.73	75.89	2.22	85.40	69.51	76.53	86.75	74.13	81.28
United Kingdom (318)	139.28	+0.8	113.36	113.36	4.63	138.16	112.45	112.45	141.18	120.66	118.71
USA (577)	107.92	+0.4	87.84	107.92	3.76	107.55	87.54	107.55	115.55	99.19	97.98
Europe (1009)	115.20	+0.0	93.76	99.46	3.72	115.20	93.77	99.32	115.20	97.01	97.74
Pacific Basin (680)	180.54	+0.1	146.95	140.79	0.74	180.38	146.82	140.58	180.54	130.81	133.85
Euro-Pacific (1689)	154.40	+0.1	125.67	124.34	1.64	154.31	125.60	124.17	154.40	120.36	119.44
North America (702)	108.25	+0.3	88.10	107.58	3.74	107.93	87.85	107.26	116.07	99.78	98.13
Europe Ex. UK (691)	100.09	−0.7	81.47	90.98	2.99	100.74	82.00	91.34	100.74	80.27	84.74
Pacific Ex. Japan (224)	123.22	−1.0	100.30	104.98	4.65	124.43	101.28	106.41	128.27	87.51	92.05
World Ex. US (1887)	152.66	+0.0	124.25	123.46	1.71	152.61	124.21	123.31	152.66	120.26	118.88
World Ex. UK (2146)	135.16	+0.1	110.01	118.73	2.09	135.08	109.95	118.58	135.18	111.77	110.02
World Ex. So. Af. (2404)	135.61	+0.1	110.38	118.35	2.30	135.43	110.23	118.13	135.61	113.26	110.68
World Ex. Japan (2008)	111.53	+0.1	90.78	104.90	3.78	111.41	90.68	104.73	115.54	100.00	98.08
The World Index (2464)	135.51	+0.1	110.29	118.21	2.32	135.34	110.16	117.99	135.51	113.37	110.78

Base values: Dec 31, 1986 = 100: Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

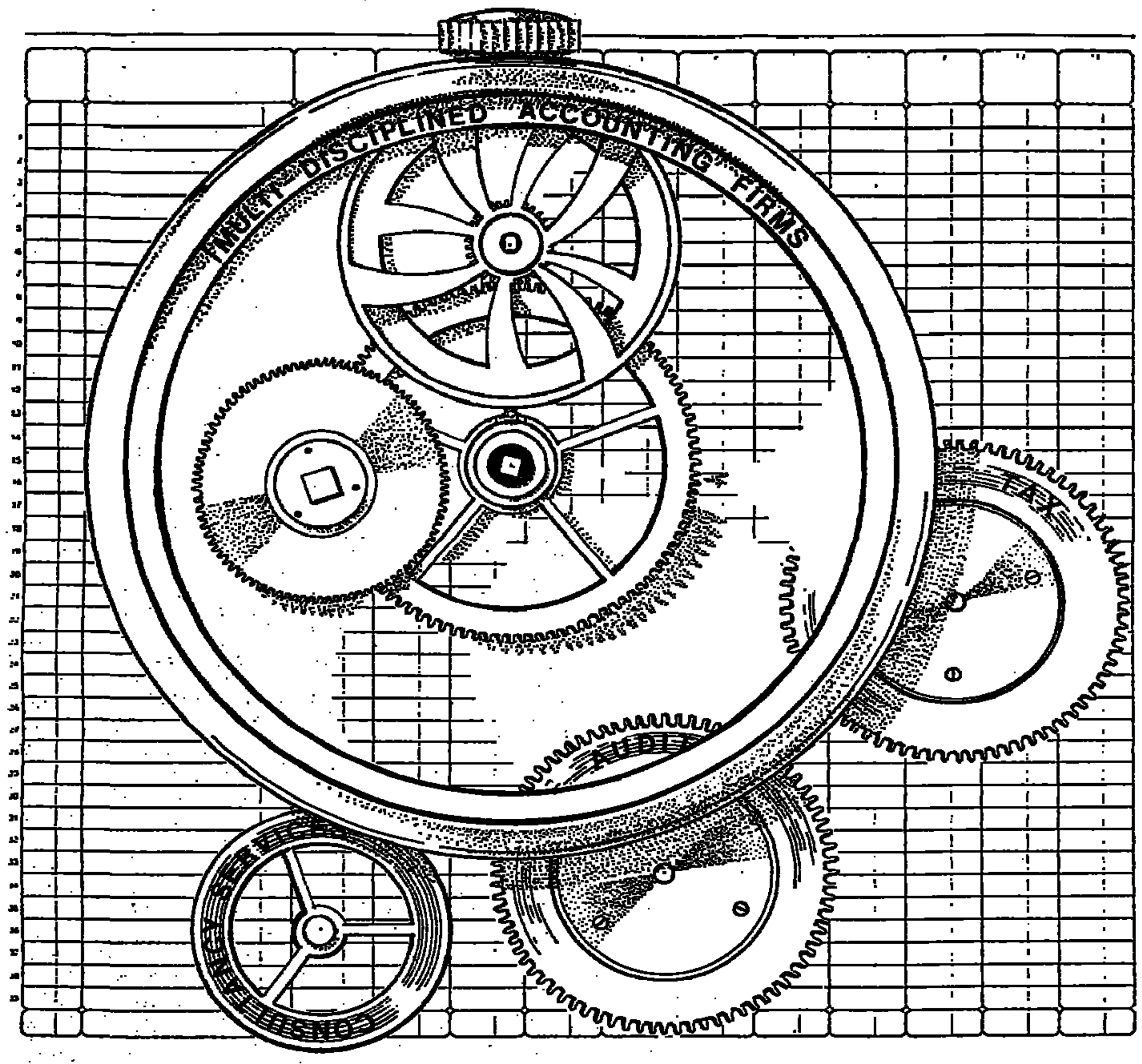
SECTION III

FINANCIAL TIMES SURVEY

CONTENTS

☐ *Illustration: Ann Chasseaud*

Accountancy



In the next few years, the profession could look very different, Richard Waters writes. In Britain, a law change will let in outside shareholders, while key institutes may merge. And the big firms, most heavily tilted to the US, could steady themselves by new links

The pressure for change

THE accountancy profession is on the verge of fundamental change. Commercial and regulatory pressures that have been at work for several years are beginning to take their toll. The result could be a profession which looks very different in the near future.

Among the forces pushing these changes is a relaxation of the law in the UK allowing accountants to take in outside shareholders. This is required by European law and will come about in a Companies Act due next year. Allowing entry to outsiders, albeit with restrictions on their influence, will break the ring-fence that has existed around the profession since the beginning of the century.

It does not mean that accountants will be rushing to the stock market. Restrictions on who can own shares in an audit firm may make this impossible. But taking in outside shareholders would have an important psychological effect on a profession which has been "owned" by accountants for nearly a century.

This rule change is also making accountants aware of something they have been able to do all along: sell shares in any part of their business except auditing. As business lines other than auditing develop, the chances increase of them being floated separately.

There are also internal pressures which could lead to the break-up of accountancy firms. Fundamental flaws which have emerged in Arthur Andersen in the US have shaken other international firms to their roots. Andersen has sacked one top consultant and seen four more defect. The problem: the division of power and the spoils in an accounting/consulting firm. According to Mr Don Hanson, managing partner in the UK: "Any firm that thinks it doesn't have a problem hasn't looked into it."

Andersen is now considering where its future lies. Whatever it decides is likely to set the pattern for all large firms in the next few years.

Another force for change is the belief that international accountancy firms should be run on the same lines as their international company clients, rather than as loose clubs.

They have existed as collections of national firms operating under a common name and with a common rule book for too long. Now several are talking about binding themselves together more tightly and sharing profits internationally.

Price Waterhouse led the way this autumn with the creation of a tighter international structure and more control at the centre. It is unusual in having a chairman – Mr Joseph Connor – who has decided to lead his organisation, rather than simply act as a mediator between different national interests.

Mr Connor's progress is now being watched carefully by his competitors. Cynics claim that he will be unable to get the necessary support of his partners and will fall between warring factions. International groupings of partnerships cannot be led like true corporations, they claim.

Others believe that Mr Connor has identified a vital fact about professional firms: the volume of international work they do is growing fast and customers expect consistent service. Success in bringing PW together would put it ahead of the competition.

To a certain extent, this ground has been trodden before. Arthur Andersen's partnerships around the world established a core legal entity, based in Geneva, 10 years ago. Andersen has always stood apart from the pack as a firm with a global view.

A further force for change is the attempt in the UK to merge professional bodies that have been independent for 100 years. To outsiders it may seem obvious that there should be one professional body representing accountants, both to regulate members and represent their interests to government. To insiders, this may not be so obvious.

Members of the Institute of Chartered Accountants of Scotland, who are fiercely proud of their institute, are baulking at the idea of being submerged into a new British Institute, dominated by the Institute of Chartered Accountants in England and Wales. Opposition has not become organised, and officials of both institutes are canvassing hard for support for the merger at a vote planned for next summer. However, no-one is underestimating the nationalism of the Scots.

Even if the merger goes ahead, accountants will still come from a bewildering array of different professional bodies. Irish chartered accountants, perhaps, need their own distinct institute. But on the mainland there will still be the Chartered Institute of Management Accountants (CIMA), the Chartered Association of Certified Accountants (CACA) and the Chartered Institute of Public Finance and Accountancy (CIPFA), not to mention a string of smaller bodies like the Association of Accounting Technicians (AAT).

The merger of Scots, Welsh and English chartered accountants should be the start. All auditors should then be brought under the rule of one training and licensing body. Next year's Companies Act will impose far stricter regulations on auditors, hastening the transition of the professional bodies from trade associations to regulators: it would make sense to have just one regulatory standard. This would not be popular with CACA, a small number of whose members carry out audits. CACA has fought hard to retain audits for small companies and is not now likely to welcome giving up its stake in auditing.

Once auditing has been brought under one roof, there are also convincing arguments for bringing together management accountants and public sector accountants. Old rivalries between different types of accountant are likely to die hard, however.

The continuing concentration of the audit market for large companies carries with it inevitable implications for change. The UK and US have seen a handful of firms – the Big Eight – dominate the market for auditing public companies. In Europe as a whole, though, smaller audit firms continue to service some internationally-known names. Nearly one in four of the Continent's top 500 companies have an audit firm outside the Big Eight. This is likely to change as capital markets are liberated: investors are comforted by the sight of a recognised audit signature.

The much-talked-about demise of the medium-sized accountancy firm will not necessarily follow, though. As these firms have lost ground in the large corporate market, they have begun to find profitable markets elsewhere.

BDO Binder, a firm which appeared to be suffering acutely, has decided to focus more on personal clients and private companies. However, it is also trying to hang onto, and improve, its standing in the international markets. Whether it can do both is a question that has yet to be answered.

Smaller firms, meanwhile, are thriving. The part played by small businesses in the UK's economic recovery has brought extensive work for the small firms of accountants which are able to meet the demands for advice from new and growing companies. Morison Stoneham is typical of these firms: it increased its turnover by 35 per cent to £3.5m in the last year, largely through advising on takeovers, management buy-outs and other fund-raising efforts.

A change that fewer observers would bet on, but which is being much discussed over lunch tables, is the possibility of mergers between members of the Big Eight. Mergers were widely talked about several years ago. Price Waterhouse and Deloitte Haskins & Sells actually tried, but failed, to get together in 1984.

Merger rumours have returned in force, reflecting the fact that some leading firms have been sounding out others in recent months on whether there is any benefit in combining their businesses.

The reason for the renewed interest is the uncomfortable international position in which some firms find themselves. The development of the market for accountancy and consultancy services in Europe is moving faster than most had expected. Similar growth is likely in Asia. Any accountancy firm without equally strong legs in North America, Europe and Asia will begin to look unbalanced, runs the argument.

Most of the big firms are tilted heavily towards the US. Peat Marwick stole a march on its competitors by merging with a European-based firm, KMG, last year, giving it a better international balance and a far bigger business than most others.

The test will be whether this unsettling presence will shift the balance enough to overcome the resistance to mergers. Every firm has cast its eye over every other in the past and concluded that there is no ideal fit. In particular, any combination in the US would be difficult to devise. But soon, and perhaps this year, two firms could decide that the need for a marriage will make the trauma worthwhile. If that happens, observers believe, the Big Eight will become the Gang of Four almost overnight.

ACCOUNTANCY 2

Management pioneers

RUNNING AN accountancy firm used to be straightforward. The audit and accountancy division dominated. Tax and insolvency experts, most of them accountants anyway, ran happily in parallel, while management consultants, merchant bankers and other assorted outsiders were in a distinct minority.

A committee of senior (meaning, usually, longest-serving) accountants decided who should get paid what, though it was almost a foregone conclusion that the further up the letterhead a partner was, the greater his share of the profits (there were few women).

All that has changed. Managers of a different generation have been given the power to manage, and have realised that change is overdue.

Two of the businesses pioneering the development of thinking on the management of professional firms are Spicer & Oppenheim and Smith & Williamson. Neither of them is among the Big Eight, which is probably no coincidence: the big firms are largely dominated by their audit client bases, and are unlikely for many years to see anything other than audit as their core business (information technology is the main contender).

That is a pity. For as these two smaller firms hope to demonstrate, organising yourself around what customers want is the way to get ahead.

Richard Waters

Four sides to Spicer

SPICER & Oppenheim this autumn put into place the most radical management changes yet for an accountancy firm. This £68m-turnover firm – which may be best-known currently for its entanglement with collapsed investment group Barlow Clowes – decided that its old structure simply did not suit the way it wanted to do business.

Spicer now operates through four divisions, covering owner-managed businesses, public limited companies, the financial services industry and corporate recovery (this used to be called "insolvency" until the professionals realised there was money to be made in helping bankers to get their difficult clients out of tight corners).

What is so new about that? Other accountancy firms are organised around disciplines, like audit or tax, rather than around market segments. The change may not sound much, but its implications are profound.

Each of the four divisions has a managing partner. They are responsible to Mr Clive Bastin, the firm's national managing partner, for agreeing and meeting profit targets. Beyond that, they are virtually left to get on with it.

Spicer has not taken this process to its logical conclusion, though. It looks ruthlessly at the pay-back on new investments proposed by its four divisional managers; but it does not assess the capital allocated to each of the business units, and so has no idea of the return it makes on its different businesses.

Mr Bastin himself is responsible to the partners through a partnership board. This is an elected seven-partner board, chaired by the unelected senior partner, Mr David Young, which represents the shareholders – in other words, Spicers' 173 partners.

The separation of ownership and control is the first point to note. Most firms have gone some way down this route, but few have had the courage to hand over full day-to-day power to a manager. Also, with its two boards, Spicer is closer to the German than the UK corporate model.

The managers of the four business units have their own support units providing technical, marketing and financial help. Strategic and quality control over some of these support functions is exerted by national teams.

The system depends on a full allocation of costs. Each of the four managers is charged for the amount of office space he uses in each of Spicers' 24 offices, for instance. Central overheads are allocated painstakingly.

The four divisions have their own mini-subsidiaries. A corporate finance group was set up last year: this comes under the wing of the owner-managed business group, and answers to the leader of that division in much the way he answers to Mr Bastin. Other subsidiaries are Spicer & Oppenheim Consultants, a specialist financial services consultancy, which reports to the financial services group; Spicers Consulting Group, a broadly-based management consultancy which reports to public companies; and Spicers Financial Services, a personal finance group answering to the owner-managed business division.

It is not as easy as this makes it sound, of course. Things do not fit neatly: international tax, for instance, comes under the wing of the financial services group, even though it works extensively for the clients of other divisions.

Another problem is that, having built walls between the divisions, how do you encourage cross-selling? The financial supermarket idea works only if people have something to gain from their clients becoming the clients of John down the corridor as well.

Mr Bastin is unperturbed. The old system did not provide any impetus either, he says. The only way to persuade professionals to refer their clients to their colleagues is to train them in selling techniques.

There will be no fees for referring business to other parts of the group, at least at the outset. According to Mr Bastin, work flows freely if all staff are motivated by client service: if they are not, then referral fees may be necessary, though they are second-best and something that Spicer hopes not to have to introduce.

The divisionalisation has not been carried through to its logical conclusion – yet. It is a useful management tool which provides Spicer with a new "bottom line" with which to judge each of its businesses. But these profits are not shared within divisions. Profits are still largely shared locally.

The Spicer revolution still has some way to go. Its market-motivated structure is likely to be the start, rather than the culmination, of the changes. "We are only just starting to unbundle our businesses," says Mr Bastin.

The crunch will come, he says, when the divisions perceive that the parent cannot supply all the resources to meet their objectives. It may lack the capital to invest in a new development or the network required to market a new product. In each case, Spicer's plan is to allow its separate businesses to go out and forge their own "strategic alliances" with other businesses.

The personal or corporate finance businesses, for instance, may feel they need to link up with banks (though this is not envisaged yet). They could do so by selling shares in themselves to these institutions, without committing Spicer as a whole. Such a move is possible under the current law; only auditors are prevented from forming companies and selling shares to outsiders.

But if Spicer wants its four divisions to stay intact (three of them carry out audits) it will need to wait for the change in the law expected in the forthcoming Companies Act. This would allow non-accountants to own up to 49.9 per cent of an auditing firm, though rules imposed by the profession may be more restrictive than this.

When these things happen, will Spicer still be Spicer? Mr Bastin views with equanimity the prospect of his individual business units forging their links and perhaps changing their names. But he draws the line at losing control.

A willingness to assume, or to surrender, control at the right moment is the key to the Spicer plan. The four business managers must seize the opportunities they have been given; the partners must be prepared to yield much of their power over running the firm while at the same time retaining responsibility for their own earnings; and Mr Bastin must be prepared to sit between his partnership board and his four managing partners, content to take the blame when earnings are flat but to give others room to run their own businesses.

Mr Bastin insists that Spicer's chosen route, which seems to open up the possibility of fragmentation, is not a high-risk strategy: other accountancy firms, which have yet to get to grips with their innate management problems, are doing something altogether more risky, he says.

Richard Waters

The revolution has some way to go. "We are only just starting to unbundle our businesses"

All sorts of things to do

THE LARGE accountancy firms are not the only ones to have developed diversified businesses, though they have made the most noise about it.

Take Smith & Williamson, a firm with a turnover of not much more than £10m but which has built skills across a broad range of personal and corporate finance services.

Only 22 per cent of the firm's business is work that you would expect from an accountancy firm: auditing, accounting and corporate tax advice. Another 25 per cent comes from tax advice for individuals. Most of the rest – around 40 per cent – comes from investment management, corporate finance, insurance and pensions advice, and banking.

True, S&W is not typical of smaller accountancy practices. It is probably the only one that has a banking licence. It may one day launch a high interest cheque account for its personal clients – which would take it far further than any other firms that like to boast of their personal client bases.

But, banking aside, it is not doing anything which many small firms are not doing also, or plan to do. The difference is that S&W is further down the road than the others.

As a result, it is not really an accounting firm at all. Like a lot of firms which still go under that designation, it is really a financial services business competing in a range of markets with other financial services firms. Roughly two-thirds of the 36 principals in the business are either chartered or certified accountants: otherwise, its link with the profession is mainly historic.

Even so, its accountant principals come under the jurisdiction of the accountancy bodies. However, S&W looks to other regulators as well. It is a member of Imro, and has a banking licence from the Bank of England. Its growing corporate finance work could eventually throw bring it within the ambit of the Securities Association as well. Does that make it an accountancy firm?

As a hybrid, S&W has already faced many of the management questions which are beginning to trouble other firms. The most crucial is how you reward professionals from different disciplines working in the same firm. S&W Securities, the financial services bit of the firm, generates only 40 per cent of the turnover but well over half of the group's profits.

S&W's answer is a three-way approach to partner remuneration. For a start, each partner/director gets a notional salary based on the market rate for his or her job.

That allows the firm to assess its true profits. Most accountancy firms, when asked, say that they could not tell you their profits even if they wanted to (which they do not) because partners are not paid a salary but get a share of the profits. This makes it difficult to strike a real profit figure, since in theory it is always zero: all earnings are distributed for tax purposes.

Out of its own notional "profit", S&W holds part back to increase the firm's capital base. A further part is distributed as a "dividend". Partners' dividends are based on the amount they have invested in the firm, which itself depends on the length of their service.

The third element is a bonus payment, determined by an executive committee. How difficult is that? "Very. But no more difficult than for any corporate entity that rewards performance," says Mr Ian Buckley, 37-year-old managing director.

What holds together this diverse firm is common clients. Most of the investment management clients, for instance, started as just tax clients. They may end up as banking clients as well.

The owners of small businesses who come to S&W to get an audit stay for personal finance advice, as well as advice on financing or reshaping their businesses. Other accountancy firms plan to cast the same web around their clients, but few have managed it as successfully. The skill is in holding the different parts together without allowing, say, an auditor to fall out with an investment manager fresh out of a merchant bank.

Being ahead of other accountants' firms in its development, S&W is likely to break new ground first in a number of ways. For instance, it plans to take in outside shareholders when this becomes possible in 1990 (or, just possibly, 1991).

"It is conceivable that we would allow a minority stake of all or part of our business to be bought," says Mr Buckley. "It is also possible that we would float all or part of our business." This is tempered by the intention of those working in the firm to retain control of their business, though.

Selling shares would bring in extra capital for the company's financial services activities. It would also create a market in the company's shares, allowing it to dangle the carrot of share incentives in front of bright young recruits.

Current thinking in the firm favours a flotation over a private placing. But professional rules may not allow this. If they do not, firms like S&W may soon find themselves spinning off parts of their business.

The loser from this in the long run would be the auditing profession. Ambitious accountants would seek to attach themselves to the glamorous new personal or corporate finance vehicles, rather than risk getting left behind.

Asked what S&W's motivations are, Mr Buckley says: "Having fun. Building capital value. And creating a market in the capital." Hardly the values to which accountants have paid lip-service in the past.

Richard Waters

Ian Buckley, managing director, Smith & Williamson

Richard Waters on standards

Tightening the rules

FIRST, THE good news. There is wide-spread compliance around the world with international accounting standards. This seems to suggest that the financial statements of companies in different countries are relatively easy to compare.

Now, the bad news: two different companies can comply with the same international accounting standard and still come up with radically different results. The reason for this is that some of the standards allow different approaches on some fundamental points, and so hardly deserve to be called standards at all. A major effort is under way to put this right.

The International Accounting Standards Committee (IASC), which produces these international accounting rules, has just published a thorough analysis of the extent of compliance with its standards.

It found that in 32 of the 37 countries with stock exchanges which it surveyed, from Australia to Zimbabwe, listed companies complied with all or most of its standards.

Only in Germany, the black sheep of the accounting world, were listed companies judged to comply with almost no international standards at all.

Two of the 25 standards are adhered to in fewer than half of the countries surveyed. One of these is on inflation accounting. Every major country which has attempted to introduce a system of accounting for the effects of changing prices has since dropped its plan. The IASC may do well to hang on to its own standard: a renewed bout of inflation would breathe new life into this dead accounting topic.

The second little-supported standard requires companies to break down their figures into geographical and industrial segments. Companies in several countries, such as the UK, have resisted this on the grounds that it gives away commercially sensitive information. But their objections are slowly being worn down.

However, the IASC admits that its standards are loose. It is now engaged in a heroic effort to close all the loopholes. Its aim over the years was to make sure that as many companies as possible complied with its rules, even if the rules had to be bent to fit the companies. It now believes it can tighten the rules and that companies will follow its lead.

It has one powerful ally in this – the International Organisation of Securities Commissions. Members of this body, representing securities regulators in the major economies, have the power to allow any companies complying with IASC standards to be listed on their exchanges. All the IASC has to do first – a big "if" – is to tighten its rules.

The most significant deviations in international accounting standards are:

● Stock can be valued either on the last in, first out (LIFO) basis, or first in, first out (FIFO). LIFO produces a significant understatement of stock values and understates earnings. US companies are allowed to use LIFO to value stock for tax purposes. Many do so, since it reduces their tax bills – even though it distorts reported earnings and assets. Most countries ban LIFO.

● Deferred tax must be provided for, according to accounting rules in force in many countries. The UK and Ireland, however, require a provision to be set up only when it is reasonably certain that these taxes will need to be paid. Supporters of the UK option say it is more logical, since most of the deferred taxes shown in, say, a US company's accounts will never crystallise. The result, depending on which side you take, is a significant overstatement of provisions in a US company, or understatement in a UK company.

● Fixed assets like property and machinery may be shown either at cost or at a revalued amount. The historic cost approach may result in an undervaluation and the consequent creation of "hidden reserves". However, countries like the UK which allow revaluation do not apply it consistently, resulting in a hotch-potch of values in company balance sheets.

● The costs of contributions to pension schemes can be recognised in the year they arise, or can be spread over the expected remaining working lives of employees. The profits of companies which adopt the first alternative can rise or fall, depending on whether in any particular year they decrease or increase their contributions to their pension schemes. Companies in the second category are able to smooth these costs, reducing the sharp dips or jumps in reported earnings.

● Goodwill arising in takeovers may be written off immediately against reserves (as in the UK) or written down against profits over a number of years (as in the US). UK finance directors believe this has given them a competitive advantage over their US counterparts and has stimulated the wave of UK takeovers of US companies. Surprisingly, perhaps, this has not become a political issue in the US.

These and other differences are enshrined in international accounting standards. Earlier this month, the IASC met to agree tighter requirements in each of these cases. It will try to outlaw some practices outright, or, in more contentious cases, allow opposing practices to continue but stipulate that only one can be used by companies wanting to be listed on a foreign stock exchange.

Its efforts do not get to the bottom of the problem, however. Establishing a scheme of accounting rules for companies which want to be listed internationally does not iron out the differences between the figures of companies reporting nationally. It will still be impossible to compare, say, a US clothes peg manufacturer listed in New York with a company in the same industry listed in Frankfurt.

Investors who go in search of companies in their national markets will be no better off – though those who wait for the same companies to search out capital internationally will be rewarded with far more comparable information.

INTERNATIONAL TURNOVER

US 'must keep eyes open'

US ACCOUNTANTS have traditionally dominated the profession around the world. Their US operations generally account for approaching half of international accounting firms' total turnover.

It is not surprising that they have wielded such power, or that most observers believe that no merger could ever take place between two large accounting firms unless it was motivated by US considerations. Nor is it surprising that they have had an insular view of the world.

All this could be changing. US accountants are having to come to terms both with the growing importance of their counterparts overseas, and the "foreigners" in their backyard – management consultants who bring in a large share of their billings and profits.

The US accountancy market is beginning to look saturated. The average firm saw its US revenues grow by 15 per cent last year, while firms in the UK grew by as much as 30 per cent. In years to come the high growth will move to other European countries and Asia.

Mr Larry Weinbach, chief operating officer of Arthur Andersen, sums up his view of the future in a world of increased competition and geographical realignment: "The US is not going to have the same dominance tomorrow that it has today. We are going to have to keep our eyes open."

Mr Ed Kangas, US managing partner of Touche Ross, broadcasts the same message. "1992 is not simply a European event, it is a global event."

The realisation in the US that Europe is an important market has driven far below the Big Eight. A top 20 firm, Clifton Gunderson, recently switched its allegiance from Midgley Snelling to Neville Russell in the UK because it felt that it was not getting sufficient international coverage.

The question now beginning to tax the minds of US accountants is whether these developments, revealing weaknesses in the international coverage of some firms, are enough to bring about a merger between large accounting firms. As Mr Bryan Blackborn, of Deloittes, says: "When clients form alliances in other parts of the world, accountancy firms must mirror this; after all, we are client-diven."

Japan presents as much of an opportunity and a challenge as Europe. The number of substantial local audit corporations has shrunk, through merger, to four. It does not take much skill in maths to work out that is not enough to allow the Big Eight accounting firms to have one each.

Meanwhile, the Big Eight in the US are also looking at major domestic changes to streamline their bureaucracies. This month Coopers & Lybrand will slim its nine US regions to six and create three more deputy chairmen, bringing the total to four, while promoting regional managers and national directors to vice-chairmen. The reshuffle removes one tier of management.

Several US firms have recently changed their regional strategy. In August Price Waterhouse reduced its 12 geographic regions to five and reorganised its 100 US offices into 25 groups. A year ago Arthur Andersen reduced its US regions from eight to five while Peat Marwick Main, bucking the trend, has increased the number of its regions from five to six.

A second level of change could be on the way. By early next year, a task force at Arthur Andersen will have decided the future of the firm's management consultancy operation. Many believe that the result will be a total split between the accountants and consultants. If Andersen stays together, it seems likely that the accountants will have to yield much of their power.

Pratap Chatterjee

Payment by results

IN THE US, accountancy firms will soon be allowed to accept commissions and contingency fees from certain types of business as the Federal Trade Commission tries to put an end to what it sees as restrictive trade practices, writes **Pratap Chatterjee**.

At the urging of the FTC, which monitors possible monopoly practices, the American Institute of Certified Public Accountants voted in August to allow firms to accept contingency fees. The FTC is expected to approve AICPA rules on the subject in a few months.

Mr Bob May, chairman of the AICPA, said: "Commissions and contingency fees will continue to be prohibited for attest clients – that is audit and valuation clients. In areas like tax, personal financial planning and consultancy they will now be permitted if disclosed."

Clients and regulators may welcome the change. But senior accountants are not so sure. Mr Michael Cook, ex-chairman of the AICPA and chairman of Deloitte Haskins & Sells, said: "I'm not personally enthused about commission fees. It confuses our role as independent advisers. We should not have a stake in the outcome of whether a company adopts a tax shelter we recommend."

But he conceded: "There is a place for contingency fees, particularly in areas like consultancy where we get a fee if a strategy we recommend has the desired effect."

Yet it seems unlikely that accountants will copy US lawyers, who thrive on contingency fees. Law firms advertise "ambulance-chaser" services on matchboxes – they promise to follow any legal claim for a percentage of the spoils. An accountancy profession that competitive still seems some way off.

Richard Waters looks at different working practices

Where to put consultants

FLIP CHARTS are more common than computers in the offices of management consultancy firms. The reason: the consultants are spending much of their time thinking about how they should manage their businesses and, being consultants, need a flip chart and three coloured pens to do so.

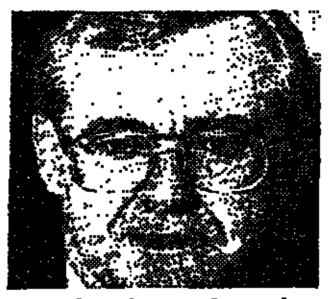
At the moment, there are two basic approaches to running these businesses. The view which is fast gaining popularity holds that consultants work best in small teams with control over their own destinies. Deloitte Haskins & Sells and Spicer & Oppenheim have followed this path.

"I find it difficult to talk of us in terms of a consulting group any more," says Mr Tim Bishop of Spicer. His people are being organised into different groups to look at different segments of the market, and each of these is run separately.

This enables firms to attract and retain teams of experts, without causing ructions elsewhere in the practice. The experts are left to sit in a corner and get on with their business. They keep a large share of the profits they make, which supporters of this method say is a big incentive. But a firm made up of these modules may be inefficient to run.

"It is absolute death," says Mr Gareth Jones of Ernst & Whinney, whose firm is not run this way. "You must be able to put together teams of consultants from a range of disciplines. The more you have internal profit centres, the more barriers you have."

The second basic approach is to hold consultants together in one amorphous group with vague distinctions between industry and functional skills.



Elwyn Elliedge, senior partner of Ernst and Whinney

A flip-chart sketch of a practice with this shape looks like a matrix. The industry segments are listed down the side, with functional skills along the top. The implication is that you could take any one of the industry groups and any one of the skills and find a consultant who fits the bill: a strategist who knows about the banking industry or retail specialists who are experts on human resources, for instance. Most of the consultants have extensive knowledge of at least one industry and are trained in a particular discipline.

Advocates claim that this enables a firm to put together multi-skilled teams more easily, allows consultants to move between specialisms and helps firms to make the best use of resources. But firms gainfrom flexibility only if the retailing/human resources consultant will also advise non-retail clients. Specialisation plays second fiddle to expediency.

The system also relies on someone knowing which consultants know about what, what combinations they would work together in, and whether the right people are free at the right time. "You do need fairly sophisticated systems to develop this. Back of the envelope stuff is no good," says Mr Jones of E&W, whose firm follows the matrix model.

This model is starting to look out of date in some practices, because of information technology. Technical people have to be brought into the picture. They do not fit neatly into traditional consulting practice.

"It is a different type of firm to manage, with different people, cost structure, time-cycle and satisfaction pattern for staff," says Mr David Miller of Coopers & Lybrand. At the moment Coopers has systems people working alongside consultants its in industry groups. They are included in the usual management structure, giving them the chance of progressing to become consultants. But if they become more numerous, as seems likely, Coopers will have to set up a separate division to manage them.

Arthur Andersen, the firm with the most of these technicians, has been working particularly hard with its coloured pens recently. For a start, its consultancy firm has been renamed Andersen Consulting Group to make it look like a free-standing entity.

It also has a more complex model for its consulting business. Its matrix looks like a pyramid. At the apex are industry specialists; in the middle are functional specialists, who can be wheeled onto any assignment; and at the bottom, supporting the lot, are people with technical skills.

Grafted on to the side of this pyramid is something called "integrated services". People in this group fall into one of three divisions: advanced systems, software and facilities management. These are, in effect, the new businesses into which Andersen is developing fast.

CONSULTANCY

Client list helps

IT TAKES a special kind of person to run a consultancy firm owned by accountants. Those doing it are a mixed lot, but generally have one thing in common: they are hybrids who feel happy with a foot in both camps. The next generation of people in their shoes are likely to be far different, writes **Richard Waters.**

Typical of the hybrids in charge of the UK consultancy firms are Mr David Miller of Coopers & Lybrand and Mr Vernon Ellis of Arthur Andersen. They are both chartered accountants. But each has spent a career in consultancy rather than accountancy.

Mr Miller, a rotund 48-year old, actually qualified as an accountant with Arthur Andersen. He fits in well at Coopers: his mannerisms and approach echo almost exactly those of Mr Brandon Gough, Coopers' chairman.

Mr Ellis, a suave and eloquent man with a formidable intellect, was in the first batch of graduates Arthur Andersen took in to train as consultants nearly 20 years ago. He also qualified as an accountant.

In the other camp are non-accountants who themselves have had years of experience of working with accountants.

Mr Andrew Warren of Deloitte Haskins & Sells, a data processing consultant, has been at Deloittes for 20 years, five of them running the computer audit division (a sign that auditing relies as much on technical as accounting skills).

Mr Tim Bishop, of Spicer & Oppenheim, seems to like accountancy firms so much that he keeps finding more to work with. He spent his formative years with Deloittes and ran the consultancy side of Arthur Young before moving to a similar job at Spicer.

But the next generation of leading consultants may have less experience of working in accountancy firms.

Mr Gareth Jones, who runs Ernst & Whinney's consultancy practice, joined from consultants Booz Allen, where he was managing partner of the London office. He was lured by E&W's list of audit clients, including BP, BTR, NatWest and Shell.

Mr Jones says his chances of selling these clients consultancy services are almost limitless. That gives him a head-start: he estimates the marketing costs of a free-standing consultancy reach 20 per cent of total expenses.

At the beginning of this decade, says Mr Jones, he did not consider accountants to be his competition. He has now decided it is better to join them than try to beat them.

EUROPE

The single market challenge

THE APPROACH of the planned single market in Europe by the end of 1992 is shaking up the Continent's accountancy firms just as much as it is shaking up their clients.

The demand from companies for a range of 1992-related advisory services, based on strategic consultancy, corporate finance and tax advice, has caught most accountants on the hop. They are only now launching specific products aimed at this market, after months of feverish research and development work.

Most firms say that they wish they had more consultants available to offer the sort of Europe-wide service that many companies are demanding. Typically, accountancy firms have as many management consultants in the UK as in the rest of their European operations put together. Their only source of comfort is that others are in the same boat.

Demand for the traditional products of audit and accountancy is likely to develop as companies begin to need similar standards of assurance about their operations across the Continent. Also, on a national level, audit markets are opening up fast. Germany, for instance, has only this year extended the requirement for full audited accounts beyond a handful of public companies.

The first element in most accountancy firms' package of 1992-related services is a technical office in Brussels. These operations generally combine tax and legal skills and act as an information point about developments in the European Commission. Many of the newsletters they produce on technical developments at the Commission find their way eventually to clients' desks.

Several firms describe these offices as the focus of their European services. In reality, they provide only technical support, and are no substitute for the accountants, tax advisers and consultants who should be on the ground in each European country providing detailed and practical advice.

The level of skill in the Brussels operations varies. Coopers & Lybrand, identifying the demand for legal advice, was the only firm to form a joint venture with lawyers in Brussels when it created C & L Belmont last year. KPMG has a less formal link with a Brussels law firm.

The second level of service generally offered is strategic advice on how companies should respond to the challenges and opportunities of the single market. This is one of the accountants' weak spots: their management consultants have focused in the past on operations rather than strategy. Attempts to forge links with strategy consultants have generally failed, apart from Touche Ross's merger in the early 1980s with Braxton. Meanwhile, established strategy experts like McKinsey already have strong links with many chief executives and can boast a string of offices across the Continent.

Nevertheless, UK accountancy firms are busy carrying out what amount to 1992 "health checks" on their clients. Typical of the services in this area is KPMG's diagnostic review, which is designed to help clients formulate their strategic goals. It also acts as the introductory point from which KPMG hopes to sell a range of other services.

The third element of the typical 1992 package is advice on mergers and acquisitions. Once companies have identified the need to expand in Europe, runs the reasoning, they will want their accountants to identify business partners and negotiate mergers or joint ventures.

In this, accountants can fairly claim to be ahead of much of the opposition. UK-based merchant banks have historically serviced European deals with teams flown out from London. The accountants, on the other hand, can claim extensive networks across the Continent. They also have the range of skills needed to see through a transaction, including investigating the target and advising on the tax structure of the deal.

Coopers & Lybrand was one of the first to establish a European mergers and acquisition network, bringing together people with skills in putting deals together from a number of European countries. It has since been followed by Arthur Andersen and, most recently, KPMG. The KPMG network is the most ambitious to date, involving 300 specialists in 25 countries and extending across most of the major economies.

Ironically, given the amount of effort put into establishing such networks, interest in cross-border mergers and acquisitions in the run-up to 1992 may be less extensive than was at first thought. Surveys of business attitudes published recently by KPMG and Ernst & Whinney show that chief executives across Europe, having looked at the possible effects of the European market more closely, have realised that they can achieve their goals without the major restructuring implied by such arrangements.

None the less, M&A activity is running at a healthy level. According to KPMG, cross-border acquisitions by medium-sized companies in the European Community were worth $9.3bn in the year to June 30 this year, accounting for more than half of all international M&A deals.

European management consultancy groups are also being established to co-ordinate activities across the Continent. Both Price Waterhouse and Coopers & Lybrand have had such arrangements in place since the start of this decade.

The biggest firms are not the only ones to have follow these paths. BDO Binder (represented in the UK by BDO Binder Hamlyn) plans to launch a range of 1992-tailored services early next year, and is also creating an international co-ordinating consulting body. Pannell Kerr Forster, with a reputation for its involvement in hotel, leisure and tourism consultancy, plans to extend its expertise and marketing back-up in this field to its other European member firms.

Neasa MacErlean

INTERNATIONAL STRUCTURE

The links grow

THE STRUCTURE of an accountancy firm has a direct effect on its ability to deliver an internationally consistent range of services. A firm with central control finds it easier to implement policies worldwide than one which depends on the agreement of its autonomous member firms. The emergence of the single market, with its attendant need for consistent services across the Continent, has thus prompted several firms to reconsider how they are structured, writes **Neasa MacErlean.**

Arthur Andersen has long stood out as the only worldwide partnership with central control. Among the advantages of this are the ability to transfer people, skills and services around the world and the sharing of research and development costs. Other firms provide several of these functions, but none matches Andersen's ability to drive its firm from the centre.

Centralised control is not universally popular, though. Andersen has lost the opportunities of mergers with accountancy firms in some countries because candidates have not wanted to lose their independence. Germany is a case in point: despite approaching several firms Andersen has not been able to achieve a German merger and has grown its own — now very large — practice there.

Faced with this problem, Mr Larry Weinbach, Andersen's chief operating officer, has said that the firm will consider looser associations, allowing greater autonomy to member or associated firms.

Price Waterhouse, which has just established a European management board to co-ordinate activities, appears to face the same dilemma. Questions of independence and sovereignty are thought to have led to the collapse of merger discussions with Dijker en Doornbos, third largest firm in Holland. And in Germany PW's representative, Treuarbeit, continues to resist full integration after four years of co-operation.

None of the other accountancy firms has anything like the same level of centralised structure. Before the creation of KPMG, Peat Marwick had a single partnership in continental Europe, but this was disbanded last year. Like others, it now operates as a federation of independent national firms.

By allowing independence to the members they increase their opportunities for merger. Touche Ross, for example, has successfully negotiated 12 mergers in Europe in the last year.

The trend among the accountancy firms is now towards creating a tighter, unified structure with central control. Price Waterhouse created its present European structure only last month. Deloitte Haskins & Sells is taking steps to create a umbrella structure for all of its European firms, while Ernst & Whinney may alsostrengthen its international links. And Coopers & Lybrand is nearing the end of a review of its range of services European services and overall structure.

MANAGEMENT ACCOUNTANTS

Working out the forces that 'drive' costs

HITACHI HAS an interesting application for useless accounting information. It uses it to motivate managers to operate more efficiently. Take its factory which produces videocassette recorders, the largest such manufacturing operation in the world.

The factory's overheads are allocated in the same proportion as direct labour costs. In other words, if 10 per cent of labour costs are spent on operation A, then operation A has to carry 10 per cent of the overheads.

This, as any self-respecting western management accountant will testify, is largely nonsense. Manufacturing accounting systems have traditionally been based on direct labour costs like this. But labour costs have fallen steadily as a proportion of the total costs of a factory.

According to some estimates, just 10 per cent of the costs in a modern factory relate to direct labour, so how can this be a good indicator of how to allocate overheads? Managers are getting the wrong information about the true costs of their products, and so cannot possibly make the right strategic decisions.

Hitachi is unperturbed. It reasons like this: the operations which rely heavily on direct labour bear an unfair share of the central costs. This encourages managers to consider how they can automate more quickly. Automation is desirable.

The Hitachi case is quoted in a recent Harvard Business Review by Toshiro Hiromoto, professor of accounting at Hitotsubashi University in Tokyo. It is a good example of something that Prof Hiromoto thinks Japanese companies do well: use accounting figures to influence the behaviour of managers and workers. Producing figures that are precise is of secondary importance.

This may puzzle western management accountants, who are brought up to believe that numbers must above all be right to enable managers to take informed decisions.

The pursuit in western companies of costing systems that produce accurate numbers has become something of a cause celebre. Academics and consultants have won their spurs telling managers that they do not really know what is going on in their factories. One or two have even tried to do something about it.

The approach which has gained widest support is called activity-based accounting. This involves looking more closely at the factors which influence a company's overheads and working out what forces "drive" costs.

Why "profitable" low-volume products should carry a greater share of the overheads

The champions of this approach, Harvard professors Robert Kaplan and Robin Cooper, say that a complex system which recognises these "cost-drivers" gets closest to allocating costs to different products correctly in a multi-product company.

Their approach is most effective when applied to companies making a mixture of high and of low-volume products. Traditional accounting systems often show such low-volume products to be highly profitable. Their share of the overheads is related to the volume of output, and they often carry a higher price tag that larger-volume products.

In reality, argue Kaplan and Cooper, low-volume products should carry a greater share of the overheads. The costs of ordering, storing and inspecting parts, and setting up machines to produce components, usually account for a large proportion of factory overheads. A low-volume product which requires parts not used elsewhere in the factory thus imposes a large cost burden. Few companies recognise this in their costing systems.

Consultants working on these problems say that companies do not all need to start from scratch. It is possible to devise a system to be run on a micro-computer which provides more accurate information for allocating overheads. The existing costing system can continue to be used for stock valuation and cost control. Software packages targeted at this market have not yet appeared on the market, but are expected soon.

Coopers & Lybrand, a consultancy firm with a significant presence in the manufacturing sector, has about 30 of its 200 financial management consultants in the UK working on costing systems, and reckons that interest in the subject is only just dawning. Peat Marwick McLintock, another, says 50 of its 160 general financial consultants are involved.

Interestingly, there appears to be disagreement in practice as to whether trained management accountants are needed to do this work. Of Coopers' 200, about two-thirds are members of the Chartered Institute of Management Accountants or its equivalent body for the public sector. At Peat, on the other hand, only a third are management accountants.

Meanwhile, many companies are finding their own ways of tweaking their existing costing systems to get something approaching the right results. The preliminary findings of three research reports into management accounting in high-tech companies, financed by the Chartered Institute of Management Accountants and published this autumn, show how accountants are reacting to the challenges in practice.

One of the studies concluded that the companies surveyed were not generally aware of any new techniques of cost accounting and did not think that any were needed. They were simply adapting their existing techniques to new circumstances.

To do this, accountants were found to be extending their interest outside the accounting function. They were beginning to work on product management teams alongside managers from other disciplines.

"The incorporation of management accountants within multi-disciplinary task teams concerned with competitive analysis, cost investigation and product design had increased their direct involvement in the operational activity of the firm," concluded one of the research teams.

In this, UK management accountants are becoming more like their Japanese counterparts. The Japanese accountant is typically trained in other disciplines such as production and does not specialise in accounting until later in his career. The result is a closer identification between accountants and other managers, and hence a more realistic approach to the accounting elements that go into decision-making.

Professor Hiromoto quotes an example of how this works in practice. When Daihatsu Motor Company, a medium-sized Japanese car maker, develops a new car, it begins by drawing up a specification for the vehicle. But rather than simply turning this over to the accountants and asking how much it will cost to produce, Daihatsu asks what the car will sell for and the size of the desired profit margin. It uses this information to establish what it thinks costs should be.

This leads to a long process of horse-trading in which accountants, designers, production managers and others work out a level of costs which comes near to the company's targets but is still potentially achievable. Achieving these goals in practice is its final justification.

Richard Waters

Key vote set for next June

Many Scots fiercely oppose institutes' merger

THE ACCOUNTANCY profession is clearly at a turning point in its long and distinguished history. In June next year, chartered accountants will be vote on whether the two bulwarks of British accountancy, the Institute of Chartered Accountants in England & Wales and the Institute of Chartered Accountants in Scotland, should be fused into one, new British institute.

The unification of the two august bodies, both dating from the mid-Victorian era, was recommended by a joint working party set up to look into the possibility of a merger back in November of last year. Their report was submitted to the councils of the two institutes in April, and the report's conclusions adopted as a matter of policy the following month.

"We believe that a unique opportunity now exists to draw together the two British Institutes of Chartered Accountants in a way which will allow members to build on the special traditions, achievements and ethos of both." So said the councils of the two institutes when they announced their endorsement of the working party's recommendations.

The background to the affair is one of mounting regulatory pressure on the profession. First, there was the Insolvency Act, then the Financial Services Act and a government inquiry into the way in which the profession sets its accounting standards – and very shortly, there is likely to be a Brussels-inspired Companies Act which will lay down new rules on the regulation of auditors.

With each new piece of legislation has come an erosion of the institutes' hegemony over regulation of its members. In the case of the Scottish institute in particular, the Financial Services Act has meant a dramatic drop in its authority over many members, since the unit of authorisation is the accountancy firm rather than the individual accountant. What has happened is that most firms, even Scottish firms, have sought approval to conduct investment business from the English rather than the Scottish institute.

The English institute now authorises 7,000 firms (including all the Big Eight firms) whereas the Scottish institute authorises just over 500, of which over 300 are sole practitioners. "Given that a third of our membership in Scotland alone is employed by the Big Eight, this represents a rather depressing diminution of authority to organise and regulate," admits Mr Eric Tait, secretary of the Scottish institute.

So far, the Scots institute has experienced a loss of the ability to regulate only the investment side of an accountant's business. If it loses control of the regulation of auditing – the very bedrock of the profession – the Scots body could find itself seriously marginalised.

Thus the proposals for a united body which would have responsibility for the core functions of regulation, technical and parliamentary work, professional conduct, the promotion of members' international interests and the public presentation of their interests.

Education, too, is a core issue. Traditionally the Scots have recruited the bulk of their students from the ranks of "relevant" graduates, whereas those studying to become chartered accountants on the English model tend to have conspicuously irrelevant degrees in English and such like. To dampen fears that the Scots' tradition of rigorous training will be extinguished, education and training for the new British institute will be run from Edinburgh.

The proposals have met with fierce opposition, particularly from within the Scottish camp. People like Mr Ewan Brown, a director of the Edinburgh merchant bank Noble Grossart, will be taking every opportunity to challenge the official line as it is purveyed at a series of public meetings hosted by Scots president, Mr Frank Kidd. Underlying all the arguments is a powerful strand of nationalism, stoked by hostility to Mrs Thatcher's poll tax initiatives and memories of the Guinness/Distillers affair.

"Restructuring would provide not a profession of skilled accounting experts but, instead, an organisation of well-educated individuals with a vague and superficial of accounting and related matters. And who would want such a profession?"

So said Professor Tom Lee of Edinburgh University in a seminal article in Accountancy Age earlier this year. He believes that the proposals for a unified profession are designed to cater only for the needs of the Big Eight accounting firms, and would destroy the idea of a profession of individuals rather than firms.

The proposed British institute, he argues, "will not be a body created to maintain the interest of individual chartered accountants.

"The nature and role of of the large training firm has been changing dramatically in recent years from a traditional purveyor of a limited range of services ... to a multi-nationally-based conglomerate producer of a wide range of financial and managerial services. Their employment needs as a consequence are less and less for skilled accounting technicians and increasingly for commercial generalists in commercial matters."

According to Mr Brown, "the Scottish institute has been going for 100 years and, as a teaching organisation, turns out a radically different product from the English one. It seems pointless to throw this away because of the regulatory issue."

He argues that any suggestions that training for the whole profession should be modelled on the Scottish system are disingenuous, pointing out that the government has made it clear that it will be limiting the growth in the number of places for "relevant" accountancy degrees.

Mr Brown suggests that the two institutes set up a joint body with responsibility for regulating auditors. He believes that this should be an independent body, with an independent chairman and a number of other non-accountants on the committee.

Such proposals are derided by those enthusiastic for a Grand Unification. Why create what would in effect be a third institute when one would be manifestly adequate?

David Waller

FINANCIAL SERVICES

Investment advisers face an authorisation hurdle

THE 1986 Financial Services Act, which came into force earlier this year, has radically altered the operations of the investment world.

However, for the accountancy profession, the Act impinges from two different directions – in their traditional role as auditors and because of their wider services to clients as financial advisers.

The Act requires all persons and firms dealing in, managing or advising on investment to be authorised. Authorisation is granted to persons and firms with the required expertise, integrity and financial standing.

The main supervisory body implementing the Act is the Securities and Investments Board (SIB), with five Self Regulating Organisations (SROs) monitoring the various sectors of the investment world.

The rules books of SIB and the SROs set out the financial requirements which members must adhere to, and the form in which these financial returns are made, now widely known as an investment audit.

The role of the auditor is an important part of the regulatory framework. The auditor has to ensure that he receives the necessary information so as to complete these investment audits. Thus the auditor must ensure that his client operates according to the rules as regards record keeping, operating clients' accounts and maintaining the minimum capital requirement.

Indeed with at least one SRO, the role of the auditor is crucial. He is regarded by the compliance officers, the persons responsible for monitoring authorised members' firms, as the first line of action in the monitoring process.

The Institute of Chartered Accountants last year drew the attention of its members to the importance of the auditor's role in the financial services regulatory system, that firms must be fully aware of the requirements of the SROs and of their obligations to report direct to the SRO concerned any irregularity in the operations of any of their clients.

For the small investment partnership, almost certainly to be authorised by the Financial Intermediaries Managers and Brokers Regulatory Association (Fimbra), it is proportionally a much more onerous burden.

Up to now, its auditor may have done no more than prepare tax returns for the partnership. Now he has to prepare formal returns, greatly increasing his workload, primarily because of the problems getting the necessary information from clients.

According to Mr Mike Gittings, a partner in Reeves & Neylan, a medium-sized accountancy partnership based in Canterbury, the financial services requirement had "hit us all." However, the firm was dealing with the problem by selecting specialist partners familiar with the financial services requirements who could advise other partners about investment audits for authorised clients.

Partners had been "letting clients know the position of the requirements."

The SROs have not really exerted themselves to explain to members the importance of sending in these financial returns in the correct manner. All too often, the auditor is left with the communication task of explaining to clients the reason for this increased amount of information.

Accountancy firms, whatever their size and areas of operation, are increasingly involved in providing investment advice to clients.

This may involve giving direct investment advice to clients. But it could also arise when the accountant is dealing with corporate financial matters.

In such cases, the accountant himself and his firm should be authorised under the Act. However, for most firms authorisation can be obtained through the Institute of Chartered Accountants, which in September obtained full recognition as a Recognised Professional Body (RPB).

An RPB provides another route for authorisation to professional firms where investment is only a minor part of their business.

Since the accountancy profession is financially orientated and closely controlled, becoming an RPB is essentially bolting on the financial service requirements to existing procedures.

The essential features of accountants operating in the financial services field are:

■ They must be completely independent.

Under the polarisation requirements, intermediaries selling life assurance and unit trust products must either be completely independent or representatives of just one company.

The accountancy bodies have ruled that accountants cannot be representatives of one life company. This would be incompatible with their professional status.

Other professional bodies have adopted a similar ruling.

■ Accountants can operate in providing investment advice only within the range of their knowledge and ability. For advice outside this range, they must introduce the client to an independent intermediary who specialises in the field of the advice required.

■ The accountant is required to keep himself up-to-date on investment matters and developments. The accountancy bodies have, as yet, no formal arrangements for providing this information, unlike the Law Society which has linked up with leading financial consultants Sedgwick Financial Services.

However, accountants are expected to use the services of an independent intermediary for this information.

Keeping abreast with developments in the life assurance and unit trust field, particularly in the developments in pensions is a daunting task these days.

Almost all the major accountancy groups have separate departments or even subsidiary companies providing personal financial advice and these would be authorised by the main route through the appropriate SRO or even through SIB.

Nevertheless, the groups have also authorised through the accountancy body so that partners can give investment advice to clients on the spot or deal with investment aspects of general financial advice to clients.

Reeves & Naylan had obtained authorisation through the Institute of Chartered Accountants. But Mr Gittings explained that for many clients the advice required was of a specialist nature and the partnership had established informal arrangements with local firms of registered insurance brokers and local branches of stockbrokers in order to deal with clients' requirements.

SIB is now embarking on a complete review of its rule book in order to simplify the requirements as far as possible, with the emphasis more on establishing principles rather than setting out detailed rules on every aspect of investment operations.

Flexibility in the financial reporting requirements would be welcome to auditors who could adapt to a client's individual requirements without weakening the underlying financial security position.

Eric Short

Jeffrey Bowman, chairman of the new Price Waterhouse management board and senior partner of the firm in the UK (left) and Don Hanson, senior partner of Arthur Andersen